HEALTH CARE SHARING MINISTRY AMENDMENTS

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Michael S. Kennedy

Senate Sponsor: Todd Weiler

LONG TITLE

General Description:

This bill amends exemptions from the Insurance Code.

Highlighted Provisions:

This bill:

- exempts certain health care sharing ministries from regulation by the Utah Insurance Department; and
- requires an exempt health care sharing ministry to disclose to an individual applying for participation in the health care sharing ministry:
  - that the health care sharing ministry is not health insurance and does not guarantee or promise that medical bills will be paid; and
  - the conditions under which the health care sharing ministry may refuse to pay medical bills or cancel an individual's participation in the health care sharing ministry.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

31A-1-103, as last amended by Laws of Utah 2010, Chapter 274
Be it enacted by the Legislature of the state of Utah:

Section 1. Section 31A-1-103 is amended to read:

31A-1-103. Scope and applicability of title.

(1) This title does not apply to:

(a) a retainer contract made by an attorney-at-law:

(i) with an individual client; and

(ii) under which fees are based on estimates of the nature and amount of services to be provided to the specific client;

(b) a contract similar to a contract described in Subsection (1)(a) made with a group of clients involved in the same or closely related legal matters;

(c) an arrangement for providing benefits that do not exceed a limited amount of consultations, advice on simple legal matters, either alone or in combination with referral services, or the promise of fee discounts for handling other legal matters;

(d) limited legal assistance on an informal basis involving neither an express contractual obligation nor reasonable expectations, in the context of an employment, membership, educational, or similar relationship;

(e) legal assistance by employee organizations to their members in matters relating to employment; or

(f) death, accident, health, or disability benefits provided to a person by an organization or its affiliate if:

(i) the organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and has had its principal place of business in Utah for at least five years;

(ii) the person is not an employee of the organization; and

(iii) (A) substantially all the person's time in the organization is spent providing voluntary services:

(I) in furtherance of the organization's purposes;

(II) for a designated period of time; and

(III) for which no compensation, other than expenses, is paid; or

(B) the time since the service under Subsection (1)(f)(iii)(A) was completed is no more than 18 months.
This title restricts otherwise legitimate business activity.

What this title does not prohibit is permitted unless contrary to other provisions of Utah law.

Except as otherwise expressly provided, this title does not apply to:

(a) those activities of an insurer where state jurisdiction is preempted by Section 514 of the federal Employee Retirement Income Security Act of 1974, as amended;

(b) ocean marine insurance;

(c) death, accident, health, or disability benefits provided by an organization if the organization:

(i) has as its principal purpose to achieve charitable, educational, social, or religious objectives rather than to provide death, accident, health, or disability benefits;

(ii) does not incur a legal obligation to pay a specified amount; and

(iii) does not create reasonable expectations of receiving a specified amount on the part of an insured person;

(d) other business specified in rules adopted by the commissioner on a finding that:

(i) the transaction of the business in this state does not require regulation for the protection of the interests of the residents of this state; or

(ii) it would be impracticable to require compliance with this title;

(e) except as provided in Subsection (4), a transaction independently procured through negotiations under Section 31A-15-104;

(f) self-insurance;

(g) reinsurance;

(h) subject to Subsection (5), employee and labor union group or blanket insurance covering risks in this state if:

(i) the policyholder exists primarily for purposes other than to procure insurance;

(ii) the policyholder:

(A) is not a resident of this state;

(B) is not a domestic corporation; or

(C) does not have its principal office in this state;

(iii) no more than 25% of the certificate holders or insureds are residents of this state;

(iv) on request of the commissioner, the insurer files with the department a copy of the
policy and a copy of each form or certificate; and

(v) (A) the insurer agrees to pay premium taxes on the Utah portion of its business, as if it were authorized to do business in this state; and

(B) the insurer provides the commissioner with the security the commissioner considers necessary for the payment of premium taxes under Title 59, Chapter 9, Taxation of Admitted Insurers;

(i) to the extent provided in Subsection (6):

(ii) a manufacturer's or seller's warranty; and

(ii) a manufacturer's or seller's service contract;

(j) except to the extent provided in Subsection (7), a public agency insurance mutual; or

(k) except as provided in Chapter 6b, Guaranteed Asset Protection Waiver Act, a guaranteed asset protection waiver; or

(l) a health care sharing ministry that:

(i) (A) meets the requirements for a health care sharing ministry under 26 U.S.C. Sec. 5000A(d)(2)(B)(ii); or

(B) provides reimbursement for expenses incurred by an individual for health care as that term is defined in Section 31A-1-301; and

(C) provides the disclosures required in Subsection (8); and

(ii) does not limit reimbursement solely for the benefits described in Subsection 31A-1-301(76)(b).

(4) A transaction described in Subsection (3)(e) is subject to taxation under Section 31A-3-301.

(5) (a) After a hearing, the commissioner may order an insurer of certain group or blanket contracts to transfer the Utah portion of the business otherwise exempted under Subsection (3)(h) to an authorized insurer if the contracts have been written by an unauthorized insurer.

(b) If the commissioner finds that the conditions required for the exemption of a group or blanket insurer are not satisfied or that adequate protection to residents of this state is not provided, the commissioner may require:

(i) the insurer to be authorized to do business in this state; or
that any of the insurer's transactions be subject to this title.

(6) (a) As used in Subsection (3)(i) and this Subsection (6):

(i) "manufacturer's or seller's service contract" means a service contract:

(A) made available by:

(I) a manufacturer of a product;

(II) a seller of a product; or

(III) an affiliate of a manufacturer or seller of a product;

(B) made available:

(I) on one or more specific products; or

(II) on products that are components of a system; and

(C) under which the person described in Subsection (6)(a)(i)(A) is liable for services to be provided under the service contract including, if the manufacturer's or seller's service contract designates, providing parts and labor;

(ii) "manufacturer's or seller's warranty" means the guaranty of:

(A) (I) the manufacturer of a product;

(II) a seller of a product; or

(III) an affiliate of a manufacturer or seller of a product;

(B) (I) on one or more specific products; or

(II) on products that are components of a system; and

(C) under which the person described in Subsection (6)(a)(ii)(A) is liable for services to be provided under the warranty, including, if the manufacturer's or seller's warranty designates, providing parts and labor; and

(iii) "service contract" is as defined in Section 31A-6a-101.

(b) A manufacturer's or seller's warranty may be designated as:

(i) a warranty;

(ii) a guaranty; or

(iii) a term similar to a term described in Subsection (6)(b)(i) or (ii).

(c) This title does not apply to:

(i) a manufacturer's or seller's warranty;

(ii) a manufacturer's or seller's service contract paid for with consideration that is in addition to the consideration paid for the product itself; and
(iii) a service contract that is not a manufacturer's or seller's warranty or manufacturer's
or seller's service contract if:
(A) the service contract is paid for with consideration that is in addition to the
consideration paid for the product itself;
(B) the service contract is for the repair or maintenance of goods;
(C) the cost of the product is equal to an amount determined in accordance with
Subsection (6)(e); and
(D) the product is not a motor vehicle.
(d) This title does not apply to a manufacturer's or seller's warranty or service contract
paid for with consideration that is in addition to the consideration paid for the product itself
regardless of whether the manufacturer's or seller's warranty or service contract is sold:
(i) at the time of the purchase of the product; or
(ii) at a time other than the time of the purchase of the product.
(e) (i) For fiscal year 2001-02, the amount described in Subsection (6)(c)(iii)(C) shall
be equal to $3,700 or less.
(ii) For each fiscal year after fiscal year 2001-02, the commissioner shall annually
determine whether the amount described in Subsection (6)(c)(iii)(C) should be adjusted in
accordance with changes in the Consumer Price Index published by the United States Bureau
of Labor Statistics selected by the commissioner by rule, between:
(A) the Consumer Price Index for the February immediately preceding the adjustment; and
(B) the Consumer Price Index for February 2001.
(iii) If under Subsection (6)(e)(ii) the commissioner determines that an adjustment
should be made, the commissioner shall make the adjustment by rule.
(7) (a) For purposes of this Subsection (7), "public agency insurance mutual" means an
entity formed by two or more political subdivisions or public agencies of the state:
(i) under Title 11, Chapter 13, Interlocal Cooperation Act; and
(ii) for the purpose of providing for the political subdivisions or public agencies:
(A) subject to Subsection (7)(b), insurance coverage; or
(B) risk management.
(b) Notwithstanding Subsection (7)(a)(ii)(A), a public agency insurance mutual may
not provide health insurance unless the public agency insurance mutual provides the health
insurance using:
   (i) a third party administrator licensed under Chapter 25, Third Party Administrators;
   (ii) an admitted insurer; or
   (iii) a program authorized by Title 49, Chapter 20, Public Employees' Benefit and
   Insurance Program Act.

(c) Except for this Subsection (7), a public agency insurance mutual is exempt from
this title.

(d) A public agency insurance mutual is considered to be a governmental entity and
political subdivision of the state with all of the rights, privileges, and immunities of a
governmental entity or political subdivision of the state including all the rights and benefits of
Title 63G, Chapter 7, Governmental Immunity Act of Utah.

(8) (a) A health care sharing ministry exempt from regulation under Subsection (3)(l)
shall provide the disclosure in Subsection (8)(b) to an individual, in writing, in at least 14-point
bold font prominently displayed on the health care sharing ministry application form, directly
above the signature line.

(b) The written disclosure required under Subsection (8)(a) shall:
   (i) be signed by the individual prior to enrollment in the health care sharing ministry;
   (ii) include the following statement:
       "__________ is not an insurance company and__________ does not guarantee
       payment of health care expenses. Our role is to enable self-pay patients to help fellow members
       through voluntary financial gifts. This program is not health insurance nor is it offered through
       an insurance company. This program does not guarantee or promise that your health care bills
       will be paid or assigned to others for payment. Whether anyone chooses to pay your health care
       bills will be totally voluntary. As such, this program should never be considered as a substitute
       for a health insurance policy. Whether you receive any payments for health care expenses and
       whether or not this program continues to operate, you are always liable for any unpaid bills.";
       and
   (iii) include:
       (A) disclosure of any application fees, membership dues or fees, or other
       administrative expenses for which the member may be required to pay, or for which the
member's benefits may be reduced;

(B) notification to the individual that if the individual leaves the health care sharing ministry, the individual may not enroll in other health insurance coverage in the individual market until the next federal open enrollment period;

(C) a description of circumstances that may result in cancellation of the individual's membership in the health care sharing ministry, or reasons for which the health care sharing ministry may refuse to provide reimbursement to the individual for health care expenses incurred by the individual; and

(D) a declaration that the health care sharing ministry meets the requirements of 26 U.S.C. Sec. 5000A(d)(2)(B)(ii).

Legislative Review Note
Office of Legislative Research and General Counsel