First Regular Session Seventy-first General Assembly STATE OF COLORADO

REVISED

This Version Includes All Amendments Adopted on Second Reading in the Second House

LLS NO. 17-0301.02 Yelana Love x2295

SENATE BILL 17-249

SENATE SPONSORSHIP

Smallwood and Williams A.,

HOUSE SPONSORSHIP

Ginal,

Senate Committees

Business, Labor, & Technology

House Committees

Health, Insurance, & Environment Finance Appropriations

A BILL FOR AN ACT

101	CONCERNING THE CONTINUATION OF THE DIVISION OF INSURANCE,
102	AND, IN CONNECTION THEREWITH, IMPLEMENTING THE
103	RECOMMENDATIONS CONTAINED IN THE 2016 SUNSET REPORT
104	BY THE DEPARTMENT OF REGULATORY AGENCIES.

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at http://leg.colorado.gov/.)

Sunset Process - Senate Business, Labor, and Technology Committee. The bill implements the recommendations of the department of regulatory agencies' sunset review and report on the functions of the

HOUSE Amended 2nd Reading May 5, 2017

SENATE 3rd Reading Unamended April 10, 2017

SENATE Amended 2nd Reading April 7, 2017 division of insurance (division) by:

- ! Continuing the functions of the division for 13 years, until 2030 (sections 1 and 2 of the bill);
- ! Establishing a separate sunset date for the regulation of preneed funeral contracts in 2022 (section 4);
- ! Reassigning certain duties related to health maintenance organizations from the executive director of the department of public health and environment to the commissioner of insurance (commissioner) (sections 5 through 11);
- ! Repealing the "Certified Capital Company Act", effective July 1, 2025 (section 12);
- ! Removing the exemption of policies with more than 4 automobiles from consumer protection provisions (section 13);
- ! Eliminating the requirement that an insurer authorized to transact business in Colorado file a schedule of insurance rates for required minimum coverages by July 1, 2003 (section 14);
- ! Expanding the definition of "enrollee" to include certain individuals with non-HMO or prepaid plans (section 15);
- ! Revising the definition of "participating provider" to include providers in other states that are part of the carrier's managed care network since consumers may use contracted providers in other states when Colorado insurance protections are applicable (section 15);
- ! Repealing the 35% surcharge above the modified community rate that an insurance carrier is permitted to impose on small employers that previously purchased self-funded health benefit coverage or a health benefit plan that was not a small group plan (section 16);
- ! Repealing the requirement for a one-time training course that was to be completed by January 1, 2009 (section 17);
- ! Changing a reference to the location of the definition of health care providers from the statutes governing reimbursement to providers of health care services to refer to statutes governing the statewide managed care system (section 18); and
- ! Clarifying that all bail agents licensed by the division are exempt from the private investigator licensing statute (section 19).

Section 3 of the bill requires the division to study the compliance of preneed funeral contract sellers with Colorado law and report the findings of the study to the legislature not later than September 1, 2017.

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1	Be it enacted by the General Assembly of the State of Colorado:
2	SECTION 1. In Colorado Revised Statutes, 24-34-104, amend
3	(23)(a) introductory portion; repeal (12)(a)(IX); and add (23)(a)(VIII)
4	and (31) as follows:
5	24-34-104. General assembly review of regulatory agencies
6	and functions for repeal, continuation, or reestablishment - legislative
7	declaration - repeal. (12) (a) The following agencies, functions, or both,
8	will repeal on July 1, 2017:
9	(IX) The functions of the division of insurance in the department
10	of regulatory agencies specified in article 1 of title 10, C.R.S., other than
11	the functions of the division related to the licensing of bail bonding
12	agents.
13	(23) (a) The following agencies, functions, or both, will ARE
14	SCHEDULED FOR repeal on September 1, 2022:
15	(VIII) THE REGULATION OF PRENEED FUNERAL CONTRACTS IN
16	ACCORDANCE WITH ARTICLE 15 OF TITLE 10.
17	(31) (a) The following agencies, functions, or both, are
18	SCHEDULED FOR REPEAL ON SEPTEMBER 1, 2030:
19	(I) THE FUNCTIONS OF THE DIVISION OF INSURANCE IN THE
20	DEPARTMENT OF REGULATORY AGENCIES SPECIFIED IN ARTICLE 1 OF TITLE
21	10, other than the functions of the division related to the
22	LICENSING OF BAIL BONDING AGENTS AND THE REGULATION OF PRENEED
23	FUNERAL CONTRACTS.
24	(b) This subsection (31) is repealed, effective September 1,
25	2032.
26	SECTION 2. In Colorado Revised Statutes, 10-1-103, amend
27	(6)(b)(I)(D) as follows:

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1	10-1-103. Division of insurance - subject to repeal - repeal of
2	functions. (6) (b) (I) (D) EXCEPT AS OTHERWISE PROVIDED IN SECTION
3	24-34-104 (31)(a)(I), the functions of the division of insurance are
4	repealed, effective July 1, 2017 SEPTEMBER 1, 2030, pursuant to this
5	section and section 24-34-104. C.R.S.
6	SECTION 3. In Colorado Revised Statutes, 10-1-215, amend (1)
7	as follows:
8	10-1-215. Fines and penalties. (1) Fines and penalties levied as
9	a result of a market conduct action or other action enforcing this part 2
10	shall be consistent, reasonable, and justified. EVERY FINE OR PENALTY
11	MUST RELATE TO THE GENERAL BUSINESS PRACTICES AND COMPLIANCE
12	ACTIVITIES OF INSURERS AND NOT TO CLEARLY INFREQUENT OR
13	UNINTENTIONAL RANDOM ERRORS THAT DO NOT CAUSE SIGNIFICANT
14	CONSUMER HARM.
15	SECTION 4. In Colorado Revised Statutes, amend as added by
16	House Bill 17-1231 10-1-310 as follows:
17	10-1-310. Fines and penalties. (2) The commissioner shall
18	ensure that fines and penalties levied as a result of market conduct
19	surveillance or other action enforcing this part 3 are consistent,
20	reasonable, and justified. EVERY FINE OR PENALTY MUST RELATE TO THE
21	GENERAL BUSINESS PRACTICES AND COMPLIANCE ACTIVITIES OF INSURERS
22	AND NOT TO CLEARLY INFREQUENT OR UNINTENTIONAL RANDOM ERRORS
23	THAT DO NOT CAUSE SIGNIFICANT CONSUMER HARM.
24	SECTION 5. In Colorado Revised Statutes, add 10-15-122 as
25	follows:
26	10-15-122. Study of contract sellers - report - repeal. (1) The
27	DIVISION SHALL STUDY WHETHER ALL CONTRACT SELLERS IN COLORADO

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1	ARE IN COMPLIANCE WITH THIS ARTICLE 13 AND, IF APPLICABLE,
2	DETERMINE STRATEGIES TO GAIN COMPLIANCE FROM CONTRACT SELLERS
3	WHO ARE NOT CURRENTLY IN COMPLIANCE. NO LATER THAN SEPTEMBER
4	$1,2017, {\hbox{\scriptsize THE DIVISION SHALL REPORT THE FINDINGS OF THE STUDY TO THE}}$
5	HOUSE OF REPRESENTATIVES BUSINESS AFFAIRS AND LABOR COMMITTEE
6	AND THE SENATE BUSINESS, LABOR, AND TECHNOLOGY COMMITTEE, OR
7	ANY SUCCESSOR COMMITTEES.
8	(2) This section is repealed, effective September 1, 2018.
9	SECTION 6. In Colorado Revised Statutes, add 10-15-123 as
10	follows:
11	10-15-123. Repeal of article. This article 15 is repealed,
12	EFFECTIVE SEPTEMBER 1, 2022. BEFORE ITS REPEAL, THE DEPARTMENT OF
13	REGULATORY AGENCIES SHALL REVIEW THE REGULATION OF PRENEED
14	FUNERAL CONTRACTS IN ACCORDANCE WITH SECTION 24-34-104.
15	SECTION 7. In Colorado Revised Statutes, 10-16-402, amend
16	(1)(b) introductory portion, (1)(b)(II), (1)(b)(III), (2) introductory portion,
17	(2)(b), and (2)(g); and repeal (1)(a) and (1)(c) as follows:
18	10-16-402. Issuance of certificate of authority - denial.
19	(1) (a) Upon receipt of an application for issuance of a certificate of
20	authority, the commissioner shall forthwith transmit copies of such
21	application and accompanying documents to the executive director.
22	(b) The executive director COMMISSIONER shall determine whether
23	the applicant for a certificate of authority, with respect to health care
24	services to be furnished:
25	(II) Has arrangements, established in accordance with regulations
26	promulgated by the executive director COMMISSIONER, for an ongoing
2.7	quality of health care assurance program concerning health care processes

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and outcomes; and

- (III) Has a procedure, established in accordance with regulations of the executive director COMMISSIONER, to develop, compile, evaluate, and report statistics relating to the cost of its operations, the pattern of utilization of its services, the availability and accessibility of its services, and such other matters as may be reasonably required by the executive director COMMISSIONER.
- (c) Within thirty days of receipt of the application for issuance of a certificate of authority, the executive director shall certify to the commissioner whether the proposed health maintenance organization meets the requirements of paragraph (b) of this subsection (1). If the executive director certifies that the health maintenance organization does not meet such requirements, the executive director shall specify in what respects it is deficient.
- (2) The commissioner shall issue or deny a certificate of authority to any person filing an application pursuant to section 10-16-401 within thirty days of receipt of the certification from the executive director. Issuance of a certificate of authority shall be granted upon payment of the application fee prescribed in section 10-16-110 (2) if the commissioner is satisfied that the following conditions are met:
- (b) The executive director certifies COMMISSIONER DETERMINES in accordance with subsection (1) of this section that the health maintenance organization's proposed plan of operation meets the requirements of paragraph (b) of subsection (1) SUBSECTION (1)(b) of this section;
- (g) Any deficiencies certified by the executive director

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1	SECTION 8. In Colorado Revised Statutes, 10-16-409, amend
2	(1)(a), (1)(b) introductory portion, and (3) as follows:
3	10-16-409. Complaint system. (1) (a) Every health maintenance
4	organization shall establish and maintain a complaint system which THAT
5	has been approved by the commissioner after consultation with the
6	executive director, to provide reasonable procedures for the resolution of
7	written complaints initiated by enrollees concerning health care services.
8	(b) Each health maintenance organization shall maintain WRITTEN
9	RECORDS RELATING TO ITS COMPLAINT SYSTEM in a form prescribed by the
10	commissioner, after consultation with the executive director, for
11	examination by the commissioner, or the executive director, which shall
12	include FORM MUST INCLUDE:
13	(3) The commissioner or the executive director may examine such
14	THE complaint system REQUIRED BY SUBSECTION (1) OF THIS SECTION,
15	subject to the limitations concerning medical records of individuals set
16	forth in section 10-16-416 (3).
17	SECTION 9. In Colorado Revised Statutes, 10-16-416, amend
18	(3), (4), and (5); and repeal (2) as follows:
19	10-16-416. Examination. (2) The executive director may make
20	an examination concerning the quality of health care services of any
21	health maintenance organization and providers with whom such
22	organization has contracts, agreements, or other arrangements pursuant
23	to its health care plan as often as the executive director deems it necessary
24	for the protection of the interests of the people of this state but not less
25	frequently than once every three years.
26	(3) Every health maintenance organization and provider shall
27	submit its books and records relating to the health care plan to such

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1	examinations The Examination required by subsection (1) of this
2	SECTION and SHALL in every way facilitate them THE EXAMINATION.
3	Medical records of individuals and records of physicians providing
4	service under a contract to the health maintenance organization shall not
5	be ARE NOT subject to such THE examination, although they may be
6	subject to subpoena upon a showing of good cause. For the purpose of
7	examinations THE EXAMINATION, the commissioner and the executive
8	director may administer oaths to, and examine, the officers and agents of
9	the health maintenance organization and the principals of such ITS
10	providers concerning their business.
11	(4) The expenses of examinations under this section shall be
12	assessed against the organization being examined and remitted to the
13	commissioner. or the executive director for whom the examination is
14	being conducted.
15	(5) In lieu of such AN examination, the commissioner or the
16	executive director may accept the report of an examination made by the
17	commissioner or the head of the health department of another state.
18	SECTION 10. In Colorado Revised Statutes, 10-16-417, amend
19	(1) introductory portion and (1)(d) as follows:
20	10-16-417. Suspension or revocation of certificate of authority.
21	(1) The commissioner may suspend or revoke any certificate of authority
22	issued to a health maintenance organization pursuant to part 1 of this
23	article ARTICLE 16 and this part 4 if the commissioner finds that any of the
24	following conditions exist:
25	(d) The executive director certifies to the commissioner
26	DETERMINES that:
27	(I) The health maintenance organization does not meet the

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requirements	of section	10-16-402	(1)(b); or

(II) The health maintenance organization is unable to fulfill its obligations to furnish health care services as required under its health care plan;

SECTION 11. In Colorado Revised Statutes, 10-16-419, **amend** (1) and (2) as follows:

10-16-419. Administrative procedures. (1) When the commissioner has cause to believe that grounds for the denial of an application for a certificate of authority exist, or that grounds for the suspension or revocation of a certificate of authority exist, the commissioner shall notify the health maintenance organization and the executive director in writing specifically stating the grounds for denial, suspension, or revocation and fixing a time of at least twenty days but, in the case of a denial, not more than sixty days thereafter for a hearing on the matter.

(2) The executive director or such executive director's designated representative shall be in attendance at the hearing and shall participate in the proceedings. The recommendations and findings of the executive director with respect to matters relating to the quality of health care services provided in connection with any decision regarding denial, suspension, or revocation of a certificate of authority shall be conclusive and binding upon the commissioner. After such A hearing HELD PURSUANT TO SUBSECTION (1) OF THIS SECTION or upon the failure of the health maintenance organization to appear at such THE hearing, the commissioner shall take action as is deemed advisable on written findings, which shall be mailed to the health maintenance organization. with a copy thereof to the executive director.

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1	SECTION 12. <u>In Colorado Revised Statutes, 10-16-111, amend</u>
2	(2)(a), (2)(b) introductory portion, and (2)(b)(IV) as follows:
3	10-16-111. Annual statements and reports - rules. (2) Health
4	maintenance organizations. (a) Every health maintenance organization
5	shall annually, on or before March 1, file a report verified by at least two
6	principal officers with the commissioner with a copy to the executive
7	director covering the preceding calendar year.
8	(b) Such THE report shall MUST be on forms prescribed by the
9	commissioner and shall include:
10	(IV) A summary of information compiled pursuant to section
11	10-16-402 (1)(b)(III) in such form as required by the executive director
12	<u>COMMISSIONER;</u>
13	SECTION 13. In Colorado Revised Statutes, 10-16-420, amend
14	(2) as follows:
15	10-16-420. Penalties and enforcement. (2) (a) If the
16	commissioner, or the executive director, for any reason, has cause to
17	believe that any violation of part 1 of this article ARTICLE 16 or OF this
18	part 4 has occurred or is threatened prior to levy of a penalty or
19	suspension or revocation of a certificate of authority, the commissioner
20	or the executive director shall give notice to the health maintenance
21	organization and to the representatives, or other persons who appear to be
22	involved in such suspected violation, to arrange a conference with the
23	alleged violators or their authorized representatives for the purpose of
24	attempting to ascertain the facts relating to such suspected violation, and,
25	in the event IF it appears that any violation has occurred or is threatened,
26	to arrive at an adequate and effective means of correcting or preventing
2.7	such violations

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1	(b) Proceedings under this subsection (2) shall ARE not be
2	governed by any formal procedural requirements, and may be conducted
3	in such manner as the commissioner or the executive director may deem
4	DEEMS appropriate under the circumstances.
5	SECTION 14. In Colorado Revised Statutes, amend 10-16-424
6	as follows:
7	10-16-424. Commissioner's authority to contract. The
8	executive director COMMISSIONER, in carrying out his OR HER obligations
9	pursuant to sections 10-16-402 (1)(b) 10-16-416 (2), and 10-16-417 (1),
10	may contract with qualified persons to make recommendations
11	concerning the determinations required to be made by such executive
12	director. Such recommendations may be accepted in full or in part by the
13	executive director THE COMMISSIONER.
14	SECTION 15. In Colorado Revised Statutes, add 10-3.5-111 as
15	follows:
16	10-3.5-111. Repeal of article. This article 3.5 is repealed,
17	EFFECTIVE JULY 1, 2025.
18	SECTION 16. In Colorado Revised Statutes, 10-4-608, amend
19	(1) introductory portion; and repeal (1)(b) as follows:
20	10-4-608. Exemptions. (1) This part 6 shall DOES not apply to
21	any policy:
22	(b) Insuring more than four automobiles;
23	SECTION 17. In Colorado Revised Statutes, repeal 10-4-631 as
24	follows:
25	10-4-631. Insurers to file rate schedule. Any insurer authorized
26	to transact or transacting business in this state shall file a schedule of
27	insurance rates for the minimum coverages required under this part 6 no

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1	later than July 1, 2003. The commissioner shall make the information
2	required by this section open to public inspection no later than July 1,
3	2003.
4	SECTION 18. In Colorado Revised Statutes, 10-16-102, amend
5	the introductory portion, (20), and (46) as follows:
6	10-16-102. Definitions. As used in this article ARTICLE 16, unless
7	the context otherwise requires:
8	(20) "Enrollee" means:
9	(a) An individual who is or has been enrolled in a health
10	maintenance organization; or
11	(b) An individual who is or has been enrolled in an individual or
12	group prepaid dental care plan as a principal subscriber and includes the
13	individual's dependents who are entitled to prepaid dental care services
14	under the plan solely because of their status as dependents of the principal
15	subscriber; OR
16	(c) AN INDIVIDUAL WHO IS OR HAS BEEN ENROLLED IN A HEALTH
17	COVERAGE PLAN.
18	(46) "Participating provider" means a provider, EITHER WITHIN OR
19	OUTSIDE OF COLORADO, that, under a contract with a carrier or with its
20	contractor or subcontractor, has agreed to provide health care services to
21	covered persons with an expectation of receiving payment, other than
22	coinsurance, copayments, or deductibles, directly or indirectly, from the
23	carrier.
24	SECTION 19. In Colorado Revised Statutes, 10-16-105.6, repeal
25	(3) as follows:
26	10-16-105.6. Rate usage. (3) (a) On and after January 1, 2014,
2.7	a carrier may impose on a small employer a premium surcharge of up to

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thirty-five percent above the modified community rate for up to twelve
months if the small employer has, at any time during the past twelve
months, purchased health benefit coverage as a small employer that is
either self-funded or insured through a health benefit plan that is not a
small group plan, except for health benefit plans sponsored by an
employee leasing company, as defined in section 8-70-114 (2) (a) (V),
C.R.S., pursuant to subparagraphs (II) to (IV) of paragraph (b) of this
subsection (3).
(b) Paragraph (a) of this subsection (3) does not apply to:
(I) A small employer that has not previously sponsored a health
benefit plan for its employees;
(II) A small employer that had previously participated in a health
benefit plan through an employee leasing company, as defined in section
$8\text{-}70\text{-}114(2)(a)(V), C.R.S., if the small employer's coverage through the}$
employee leasing company was subject to the small group laws;
(III) A small employer that had previously participated in a health
benefit plan sponsored by an employee leasing company, as defined in
section 8-70-114 (2) (a) (V), C.R.S., and that is no longer a party to an
employee leasing company; or
(IV) A small employer that is currently using the services of an
employee leasing company, as defined in section 8-70-114 (2) (a) (V),
C.R.S., that does not offer a health benefit plan as part of its employee
leasing services or, because of an action by a carrier, has ceased offering
a health benefit plan to employees assigned to client locations pursuant
to an employee leasing contract.
(c) For purposes of determining whether a carrier may impose a

premium surcharge pursuant to this subsection (3) on the small employer,

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2	small employer's most recent health benefit coverage.
3	(d) A carrier shall use the premium surcharge allowed pursuant to
4	this subsection (3) only for calculating premium amounts and shall not
5	use the premium surcharge as a basis for accepting or rejecting a small
6	employer's application for health benefit coverage. The carrier shall not
7	apply the premium surcharge to a group of more than fifty employees that
8	subsequently becomes subject to small group coverage if the group has
9	not had a lapse of coverage greater than ninety days.
10	SECTION 20. In Colorado Revised Statutes, 10-19-113.6,
11	amend (1)(a) as follows:
12	10-19-113.6. Producer training requirements. (1) (a) An
13	individual may not sell, solicit, or negotiate long-term care insurance
14	unless the individual is licensed as an insurance producer for accident and
15	health or sickness or life insurance and has completed a one-time training
16	course on or before January 1, 2009, and ongoing training every
17	twenty-four months. thereafter. The training shall MUST meet the
18	requirements set forth in subsection (2) of this section.
19	
20	SECTION 21. In Colorado Revised Statutes, 10-16-704, amend
21	(1.5)(a)(II) as follows:
22	10-16-704. Network adequacy - rules - legislative declaration.
23	(1.5) (a) (II) For purposes of the rules, "essential community providers"
24	includes providers that serve predominately low-income, medically
25	underserved individuals, such as health care providers defined in the
26	federal law and under part 4 of article 4 5 of title 25.5; C.R.S.; except that
27	nothing in this subsection (1.5) requires any carrier to provide coverage

the carrier may require that the small employer submit evidence of the

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1	for any specific medical procedure.
2	SECTION 22. In Colorado Revised Statutes, 12-58.5-105
3	amend (1) introductory portion and (1)(k) as follows:
4	12-58.5-105. Exemptions. (1) This article ARTICLE 58.5 does not
5	apply to:
6	(k) A person attempting to recover a fugitive when that person is
7	a bail bonding agent or cash-bonding agent qualified to write bail bonds
8	pursuant to article 23 of title 10, C.R.S., FURNISHED BAIL AND IS LICENSED
9	UNDER ARTICLE 2 OR 23 OF TITLE 10 or is acting pursuant to a contract
10	with or at the request of a PERSON WHO FURNISHED bail; bonding agent or
11	cash-bonding agent who is so qualified;
12	SECTION 23. Effective date. (1) Except as otherwise provided
13	in this section, this act takes effect upon passage.
14	(2) (a) Section 3 of this act takes effect September 1, 2017.
15	(b) Section 10-1-215 (1), Colorado Revised Statutes, as amended
16	in said section 3 of this act, takes effect only if House Bill 17-1231 does
17	not become law.
18	(3) (a) Section 4 of this act takes effect September 1, 2017.
19	(b) Section 10-1-310 (2), Colorado Revised Statutes, as amended
20	in said section 4 of this act, takes effect only if House Bill 17-1231
21	becomes law.
22	SECTION 24. Safety clause. The general assembly hereby finds
23	determines, and declares that this act is necessary for the immediate
24	preservation of the public peace, health, and safety.

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