## First Regular Session Seventy-first General Assembly STATE OF COLORADO

# PREAMENDED

This Unofficial Version Includes Committee Amendments Not Yet Adopted on Second Reading

LLS NO. 17-0301.02 Yelana Love x2295

SENATE BILL 17-249

SENATE SPONSORSHIP

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### HOUSE SPONSORSHIP

Senate Committees Business, Labor, & Technology **House Committees** 

# 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 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.

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 and functions for repeal, continuation, or reestablishment - legislative 6 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	<u>as follows:</u>
8	<b>10-1-215. Fines and penalties.</b> (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, add 10-15-122 as
16	follows:
17	<b>10-15-122. Study of contract sellers - report - repeal.</b> (1) THE
18	DIVISION SHALL STUDY WHETHER ALL CONTRACT SELLERS IN COLORADO
19	ARE IN COMPLIANCE WITH THIS ARTICLE 15 AND, IF APPLICABLE,
20	DETERMINE STRATEGIES TO GAIN COMPLIANCE FROM CONTRACT SELLERS
21	WHO ARE NOT CURRENTLY IN COMPLIANCE. NO LATER THAN SEPTEMBER
22	1,2017, the division shall report the findings of the study to the
23	HOUSE OF REPRESENTATIVES BUSINESS AFFAIRS AND LABOR COMMITTEE
24	AND THE SENATE BUSINESS, LABOR, AND TECHNOLOGY COMMITTEE, OR
25	ANY SUCCESSOR COMMITTEES.
26	(2) This section is repealed, effective September 1, 2018.
27	SECTION 5. In Colorado Revised Statutes, add 10-15-123 as

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1 follows:

10-15-123. Repeal of article. This ARTICLE 15 IS REPEALED,
EFFECTIVE SEPTEMBER 1, 2022. BEFORE ITS REPEAL, THE DEPARTMENT OF
REGULATORY AGENCIES SHALL REVIEW THE REGULATION OF PRENEED
FUNERAL CONTRACTS IN ACCORDANCE WITH SECTION 24-34-104.

6 SECTION <u>6.</u> In Colorado Revised Statutes, 10-16-402, amend
7 (1)(b) introductory portion, (2) introductory portion, and (2)(b); and
8 repeal (1)(a) and (1)(c) as follows:

9 10-16-402. Issuance of certificate of authority - denial.
10 (1) (a) Upon receipt of an application for issuance of a certificate of
authority, the commissioner shall forthwith transmit copies of such
application and accompanying documents to the executive director.

(b) The executive director COMMISSIONER shall determine whether
the applicant for a certificate of authority, with respect to health care
services to be furnished:

16 (c) Within thirty days of receipt of the application for issuance of 17 a certificate of authority, the executive director shall certify to the 18 commissioner whether the proposed health maintenance organization 19 meets the requirements of paragraph (b) of this subsection (1). If the 20 executive director certifies that the health maintenance organization does 21 not meet such requirements, the executive director shall specify in what 22 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

1 is satisfied that the following conditions are met:

2 (b) The executive director certifies COMMISSIONER DETERMINES 3 in accordance with subsection (1) of this section that the health 4 maintenance organization's proposed plan of operation meets the 5 requirements of paragraph (b) of subsection (1) SUBSECTION (1)(b) of this 6 section;

SECTION <u>7.</u> In Colorado Revised Statutes, 10-16-409, amend
(1)(a), (1)(b) introductory portion, and (3) as follows:

9 10-16-409. Complaint system. (1) (a) Every health maintenance
 organization shall establish and maintain a complaint system which THAT
 has been approved by the commissioner after consultation with the
 executive director, to provide reasonable procedures for the resolution of
 written complaints initiated by enrollees concerning health care services.

(b) Each health maintenance organization shall maintain WRITTEN
RECORDS RELATING TO ITS COMPLAINT SYSTEM in a form prescribed by the
commissioner, after consultation with the executive director, for
examination by the commissioner, or the executive director, which shall
include FORM MUST INCLUDE:

(3) The commissioner or the executive director may examine such
THE complaint system REQUIRED BY SUBSECTION (1) OF THIS SECTION,
subject to the limitations concerning medical records of individuals set
forth in section 10-16-416 (3).

23 SECTION <u>8.</u> In Colorado Revised Statutes, 10-16-416, amend
 24 (3), (4), and (5); and repeal (2) as follows:

25 10-16-416. Examination. (2) The executive director may make
 26 an examination concerning the quality of health care services of any
 27 health maintenance organization and providers with whom such

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organization has contracts, agreements, or other arrangements pursuant
 to its health care plan as often as the executive director deems it necessary
 for the protection of the interests of the people of this state but not less
 frequently than once every three years.

5 (3) Every health maintenance organization and provider shall 6 submit its books and records relating to the health care plan to such 7 examinations THE EXAMINATION REQUIRED BY SUBSECTION (1) OF THIS 8 SECTION and SHALL in every way facilitate them THE EXAMINATION. 9 Medical records of individuals and records of physicians providing 10 service under a contract to the health maintenance organization shall not 11 be ARE NOT subject to such THE examination, although they may be 12 subject to subpoen aupon a showing of good cause. For the purpose of 13 examinations THE EXAMINATION, the commissioner and the executive 14 director may administer oaths to, and examine, the officers and agents of 15 the health maintenance organization and the principals of such ITS 16 providers concerning their business.

17 (4) The expenses of examinations under this section shall be
18 assessed against the organization being examined and remitted to the
19 commissioner. or the executive director for whom the examination is
20 being conducted.

(5) In lieu of such AN examination, the commissioner or the
executive director may accept the report of an examination made by the
commissioner or the head of the health department of another state.

24 SECTION <u>9.</u> In Colorado Revised Statutes, 10-16-417, amend
25 (1) introductory portion and (1)(d) as follows:

26 10-16-417. Suspension or revocation of certificate of authority.
27 (1) The commissioner may suspend or revoke any certificate of authority

issued to a health maintenance organization pursuant to part 1 of this
 article ARTICLE 16 and this part 4 if the commissioner finds that any of the
 following conditions exist:

4 (d) The executive director certifies to the commissioner
5 DETERMINES that:

6 (I) The health maintenance organization does not meet the 7 requirements of section 10-16-402 (1)(b); or

8 (II) The health maintenance organization is unable to fulfill its 9 obligations to furnish health care services as required under its health care 10 plan;

SECTION <u>10.</u> In Colorado Revised Statutes, 10-16-419, amend
(1) and (2) as follows:

13 10-16-419. Administrative procedures. (1) When the 14 commissioner has cause to believe that grounds for the denial of an 15 application for a certificate of authority exist, or that grounds for the 16 suspension or revocation of a certificate of authority exist, the commissioner shall notify the health maintenance organization and the 17 18 executive director in writing specifically stating the grounds for denial, 19 suspension, or revocation and fixing a time of at least twenty days but, in 20 the case of a denial, not more than sixty days thereafter for a hearing on 21 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.

SECTION 11. In Colorado Revised Statutes, 10-16-111, amend
(2)(a), (2)(b) introductory portion, and (2)(b)(IV) as follows:

<u>10-16-111. Annual statements and reports - rules. (2) Health</u>
 <u>maintenance organizations. (a) Every health maintenance organization</u>
 <u>shall annually, on or before March 1, file a report verified by at least two</u>
 <u>principal officers with the commissioner with a copy to the executive</u>
 <u>director covering the preceding calendar year.</u>

- 14 (b) Such THE report shall MUST be on forms prescribed by the
   15 commissioner and shall include:
- 16 (IV) A summary of information compiled pursuant to section
   17 <u>10-16-402 (1)(b)(III) in such form as required by the executive director</u>
   18 COMMISSIONER;

SECTION <u>12.</u> In Colorado Revised Statutes, 10-16-420, amend
(2) as follows:

21 10-16-420. **Penalties and enforcement.** (2) (a) If the 22 commissioner, or the executive director, for any reason, has cause to 23 believe that any violation of part 1 of this article ARTICLE 16 or OF this 24 part 4 has occurred or is threatened prior to levy of a penalty or 25 suspension or revocation of a certificate of authority, the commissioner 26 or the executive director shall give notice to the health maintenance 27 organization and to the representatives, or other persons who appear to be

involved in such suspected violation, to arrange a conference with the
alleged violators or their authorized representatives for the purpose of
attempting to ascertain the facts relating to such suspected violation, and,
in the event IF it appears that any violation has occurred or is threatened,
to arrive at an adequate and effective means of correcting or preventing
such violations.

(b) Proceedings under this subsection (2) shall ARE not be
governed by any formal procedural requirements, and may be conducted
in such manner as the commissioner or the executive director may deem
DEEMS appropriate under the circumstances.

SECTION <u>13.</u> In Colorado Revised Statutes, amend 10-16-424
as follows:

13 **10-16-424.** Commissioner's authority to contract. The 14 executive director COMMISSIONER, in carrying out his OR HER obligations 15 pursuant to sections 10-16-402 (1)(b) <del>10-16-416 (2),</del> and 10-16-417 (1), 16 may contract with qualified persons to make recommendations 17 concerning the determinations required to be made by <del>such executive</del> 18 director. Such recommendations may be accepted in full or in part by the 19 executive director THE COMMISSIONER.

20 SECTION <u>14.</u> In Colorado Revised Statutes, add 10-3.5-111 as
21 follows:

22 10-3.5-111. Repeal of article. THIS ARTICLE 3.5 IS REPEALED,
23 EFFECTIVE JULY 1, 2025.

24 SECTION <u>15.</u> In Colorado Revised Statutes, 10-4-608, amend
25 (1) introductory portion; and repeal (1)(b) as follows:

26 10-4-608. Exemptions. (1) This part 6 shall DOES not apply to
27 any policy:

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- (b) Insuring more than four automobiles;

2 SECTION <u>16.</u> In Colorado Revised Statutes, repeal 10-4-631 as
3 follows:

10-4-631. Insurers to file rate schedule. Any insurer authorized
to transact or transacting business in this state shall file a schedule of
insurance rates for the minimum coverages required under this part 6 no
later than July 1, 2003. The commissioner shall make the information
required by this section open to public inspection no later than July 1,
2003.

SECTION <u>17.</u> In Colorado Revised Statutes, 10-16-102, amend
 the introductory portion, (20), and (46) as follows:

12 10-16-102. Definitions. As used in this article ARTICLE 16, unless
13 the context otherwise requires:

(20) "Enrollee" means:

15 (a) An individual who is or has been enrolled in a health
16 maintenance organization; or

(b) An individual who is or has been enrolled in an individual or
group prepaid dental care plan as a principal subscriber and includes the
individual's dependents who are entitled to prepaid dental care services
under the plan solely because of their status as dependents of the principal
subscriber; OR

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(c) AN INDIVIDUAL WHO IS REIMBURSED BY A PROVIDER AS DESCRIBED IN SECTION 10-16-106.7 (2)(c).

(46) "Participating provider" means a provider, EITHER WITHIN OR
 OUTSIDE OF COLORADO, that, under a contract with a carrier or with its
 contractor or subcontractor, has agreed to provide health care services to
 covered persons with an expectation of receiving payment, other than

coinsurance, copayments, or deductibles, directly or indirectly, from the
 carrier.

3 SECTION <u>18.</u> In Colorado Revised Statutes, 10-16-105.6, repeal
4 (3) as follows:

5 10-16-105.6. Rate usage. (3) (a) On and after January 1, 2014, 6 a carrier may impose on a small employer a premium surcharge of up to 7 thirty-five percent above the modified community rate for up to twelve 8 months if the small employer has, at any time during the past twelve 9 months, purchased health benefit coverage as a small employer that is 10 either self-funded or insured through a health benefit plan that is not a 11 small group plan, except for health benefit plans sponsored by an 12 employee leasing company, as defined in section 8-70-114 (2) (a) (V), 13 C.R.S., pursuant to subparagraphs (II) to (IV) of paragraph (b) of this 14 subsection (3).

15 (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
 8-70-114 (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

26 (IV) A small employer that is currently using the services of an
 27 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.

5 (c) For purposes of determining whether a carrier may impose a
6 premium surcharge pursuant to this subsection (3) on the small employer,
7 the carrier may require that the small employer submit evidence of the
8 small employer's most recent health benefit coverage.

9 (d) A carrier shall use the premium surcharge allowed pursuant to 10 this subsection (3) only for calculating premium amounts and shall not 11 use the premium surcharge as a basis for accepting or rejecting a small 12 employer's application for health benefit coverage. The carrier shall not 13 apply the premium surcharge to a group of more than fifty employees that 14 subsequently becomes subject to small group coverage if the group has 15 not had a lapse of coverage greater than ninety days.

SECTION <u>19.</u> In Colorado Revised Statutes, 10-19-113.6,
amend (1)(a) and (2)(a) as follows:

18 **10-19-113.6. Producer training requirements.** (1) (a) An 19 individual may not sell, solicit, or negotiate long-term care insurance 20 unless the individual is licensed as an insurance producer for accident and 21 health or sickness or life insurance and has completed <del>a one-time training</del> 22 course on or before January 1, 2009, and ongoing training every 23 twenty-four months. thereafter. The training shall MUST meet the 24 requirements set forth in subsection (2) of this section.

(2) (a) The one-time training required by this section shall be no
 less than sixteen hours, eight hours of which shall consist of long-term
 care, generally, and eight hours of which shall be specific to long-term

care partnerships in a classroom setting. The ongoing training required by
 this section shall MUST be no less than five hours in a classroom setting.
 SECTION <u>20.</u> In Colorado Revised Statutes, 10-16-704, amend
 (1.5)(a)(II) as follows:

10-16-704. Network adequacy - rules - legislative declaration.
(1.5) (a) (II) For purposes of the rules, "essential community providers"
includes providers that serve predominately low-income, medically
underserved individuals, such as health care providers defined in the
federal law and under part 4 of article 4 5 of title 25.5; C.R.S.; except that
nothing in this subsection (1.5) requires any carrier to provide coverage
for any specific medical procedure.

SECTION <u>21.</u> In Colorado Revised Statutes, 12-58.5-105,
 amend (1) introductory portion and (1)(k) as follows:

14 12-58.5-105. Exemptions. (1) This article ARTICLE 58.5 does not
15 apply to:

(k) A person attempting to recover a fugitive when that person is
a bail bonding agent or cash-bonding agent qualified to write bail bonds
pursuant to article 23 of title 10, C.R.S., FURNISHED BAIL AND IS LICENSED
UNDER ARTICLE 2 OR 23 OF TITLE 10 or is acting pursuant to a contract
with or at the request of a PERSON WHO FURNISHED bail; bonding agent or
cash-bonding agent who is so qualified;

SECTION <u>22.</u> Safety clause. The general assembly hereby finds,
 determines, and declares that this act is necessary for the immediate
 preservation of the public peace, health, and safety.