

SENATE BILL No. 36

By Committee on Financial Institutions and Insurance

1-22

1 AN ACT concerning insurance; relating to health insurance; making
2 certain association health plans subject to the jurisdiction of the
3 commissioner of insurance; amending K.S.A. 2018 Supp. 40-2222, 40-
4 2222a and 40-2222b and repealing the existing sections.

5
6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. K.S.A. 2018 Supp. 40-2222 is hereby amended to read as
8 follows: 40-2222. ~~(a)~~ Any person or other entity ~~which~~ *that* provides
9 coverage in this state for medical, surgical, chiropractic, physical therapy,
10 speech pathology, audiology, professional mental health, dental, hospital,
11 or optometric expenses, whether such coverage is by direct payment,
12 reimbursement, or otherwise, shall be presumed to be subject to the
13 jurisdiction of the commissioner of insurance unless the person or other
14 entity:

15 ~~(1)~~ *(a)* Is a professional association of architects incorporated in
16 Kansas on October 4, 1954, ~~which~~ *that* provides coverage for the payment
17 of expenses described herein to or for the members of the association or
18 dependents through a trust established November 1, 1986, and complies
19 with K.S.A. 40-2222a, and amendments thereto;

20 ~~(2)~~ *(b)* is a professional association of dentists incorporated in Kansas
21 on July 3, 1972, ~~which~~ *that* provides coverage for the payment of expenses
22 described herein to or for the members of the association or dependents
23 through a trust established November 1, 1985, and complies with K.S.A.
24 40-2222a, and amendments thereto;

25 ~~(3)~~ ~~(A)~~ *(c) (1)* is a trade association of banks incorporated in Kansas
26 on August 9, 1978, ~~which~~ *that* provides coverage for the payment of
27 expenses described herein to or for the members of the association or
28 dependents through a trust established July 1, 1989, and complies with
29 K.S.A. 40-2222a, and amendments thereto; or

30 ~~(B)~~ *(2)* is a trade organization of banks incorporated in Kansas on
31 June 1, 1982, ~~which~~ *that* provides coverage for expenses described herein
32 to or for members of the association or dependents, and complies with
33 K.S.A. 40-2222a, and amendments thereto;

34 ~~(4)~~ *(d)* is a trade association of truckers incorporated in Kansas on
35 July 1, 1985, ~~which~~ *that* provides coverage for the payment of expenses
36 described herein to or for the members of the association or dependents

1 through a trust established January 1, 1990, and complies with K.S.A. 40-
2 2222a, and amendments thereto;

3 ~~(5)~~ (e) is an association of physicians practicing in the Kansas City
4 metropolitan area, incorporated in Missouri on March 5, 1891, and
5 qualified as a foreign corporation in Kansas on May 19, 1987, ~~which that~~
6 provides coverage for the payment of expenses described herein to or for
7 the members of the association, their employees and dependents through a
8 trust established November 1, 1984, and complies with K.S.A. 40-2222a,
9 and amendments thereto;

10 ~~(6)~~ (f) is organized as a farmers' cooperative under the Kansas
11 cooperative marketing act, K.S.A. 17-1601 et seq., and amendments
12 thereto, on January 13, 1983, and is an association of farmers' cooperatives
13 and other like associations operated on a cooperative basis and their
14 affiliated companies, ~~which that~~ provides benefits for employees, and
15 family members of such employees, of such associations, and complies
16 with K.S.A. 40-2222a, and amendments thereto;

17 ~~(7) is any other qualified trade, merchant, retail, or professional~~
18 ~~association or business league incorporated in Kansas which complies with~~
19 ~~K.S.A. 40-2222a, and amendments thereto;~~

20 (8) (g) conclusively shows by submission of an appropriate
21 certificate, license, letter or other document issued by the United States
22 department of labor that such person or entity is not subject to Kansas law;
23 or

24 (9) (h) conclusively shows that it is subject to the jurisdiction of an
25 agency of this state or the federal government. For purposes of this act, tax
26 exempt status under section 501(c) of the federal internal revenue code of
27 1986 shall not be deemed to be jurisdiction of the federal government.

28 ~~(b) For the purposes of this section, a qualified trade, merchant, retail~~
29 ~~or professional association or business league shall mean any bona fide~~
30 ~~trade, merchant, retail or professional association or business league that:~~

31 ~~(1) Has been in existence for at least five calendar years; and~~

32 ~~(2) is comprised of five or more employers.~~

33 Sec. 2. K.S.A. 2018 Supp. 40-2222a is hereby amended to read as
34 follows: 40-2222a. At the time the initial application for coverage is taken
35 with respect to new applicants and upon the first renewal, reinstatement or
36 extension of coverage following the effective date of this act with respect
37 to persons previously covered, each association described in ~~subsection (a)~~
38 ~~of~~ K.S.A. 40-2222, and amendments thereto, shall provide a written notice
39 stating that:

40 (a) The coverage is not provided by an insurance company;

41 (b) the plan is not subject to the laws and regulations relating to
42 insurance companies;

43 (c) the plan is not under the jurisdiction of the commissioner of

1 insurance; and

2 (d) if the plan does not pay medical expenses that are eligible for
3 payment under the plan for any reason, the individuals covered by the plan
4 may be liable for such expenses.

5 Sec. 3. K.S.A. 2018 Supp. 40-2222b is hereby amended to read as
6 follows: 40-2222b. (a) As a condition precedent to continuation of the
7 exemption provided by K.S.A. 40-2222, and amendments thereto, each
8 association described in ~~subsection (a) of~~ K.S.A. 40-2222, and
9 amendments thereto, shall, no later than May 1 of each year, pay a tax at
10 the rate of 1% per annum upon the annual Kansas gross premium collected
11 during the preceding calendar year. In the computation of the tax, such
12 associations shall be entitled to deduct any annual Kansas gross premiums
13 returned on account of cancellation or dividends returned to members or
14 expenditures used for the purchase of reinsurance or stop-loss coverage.

15 (b) Every association subject to taxation under the provisions of this
16 section shall pay the tax imposed and make a return under oath to the
17 commissioner of insurance under such rules and regulations and in such
18 form and manner as the commissioner may prescribe.

19 Sec. 4. K.S.A. 2018 Supp. 40-2222, 40-2222a and 40-2222b are
20 hereby repealed.

21 Sec. 5. This act shall take effect and be in force from and after April
22 1, 2019, and its publication in the Kansas register.