

Sec. 3. Minnesota Statutes 1978, Section 256D.37, Subdivision 2, is amended to read:

Subd. 2. The eligibility criteria for supplemental aid under this section shall be those in effect December 31, 1973 for the categorical aid programs of old age assistance, aid to the blind, and aid to the disabled, except that in determining eligibility for disabled individuals who are not residents of long term care facilities, all actual work expenses shall be disregarded and the earned income disregard shall be the same as the earned income disregard used to determine eligibility for disabled individuals in the supplemental security income program, and except that net equity of \$25,000 in one home used as a residence, one automobile the market value of which does not exceed \$1,650, and real estate not used as a home which produces net income applicable to the family's needs or which the family is making a continuing effort to sell at a fair and reasonable price, are to be disregarded in determining eligibility. The commissioner of public welfare shall annually adjust the limitation on net equity in real property used as a home by the same percentage as the homestead base value index provided in section 273.122, subdivision 2. The local agency shall apply the relevant criteria to each application. The local agency in its discretion may permit eligibility of an applicant having assets in excess of the amount prescribed in this section if liquidation of the assets would cause undue loss or hardship.

Sec. 4. **APPROPRIATION.** The sum of \$47,500 is appropriated from the general fund to the commissioner of public welfare for the purposes of sections 1 to 3.

Approved April 11, 1980

#### CHAPTER 528—H.F.No. 251

*An act relating to local government; permitting self insurance of health benefits; authorizing joint self insurance; amending Minnesota Statutes 1978, Section 471.616, Subdivision 1; Section 60A.23, by adding a subdivision; and Chapter 471, by adding a section; repealing Minnesota Statutes, 1979 Supplement, Section 471.61, Subdivision 1b.*

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

Section 1. Minnesota Statutes 1978, Section 60A.23, is amended by adding a subdivision to read:

**Subd. 8. SELF INSURANCE PLAN ADMINISTRATORS; VENDORS OF RISK MANAGEMENT SERVICES.** (1) SCOPE. This subdivision shall apply to any vendor of risk management services and to any entity which administers for compensation a self insurance plan. This subdivision shall not apply (a) to an insurance company authorized to transact insurance in this state, as defined by section 60A.06, subdivision 1, clauses (4) and (5); (b) to a service plan corporation, as defined by section 62C.02, subdivision 6; (c) to a health maintenance

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organization, as defined by section 62D.02, subdivision 4; (d) to an employer directly operating a self insurance plan for its employees' benefits or (e) to a nonprofit insurance trust administered and operated for the benefit of employer participants and established prior to January 1, 1979.

(2) DEFINITIONS. For purposes of this subdivision the following terms have the meanings given them.

(a) "Administering a self insurance plan" means (i) processing, reviewing or paying claims, (ii) establishing or operating funds and accounts, or (iii) otherwise providing necessary administrative services in connection with the operation of a self insurance plan.

(b) "Employer" means an employer, as defined by section 62E.02, subdivision 2.

(c) "Entity" means any association, corporation, partnership, sole proprietorship, trust, or other business entity engaged in or transacting business in this state.

(d) "Self insurance plan" means a plan providing life, medical or hospital care, accident, sickness or disability insurance, as an employee fringe benefit, which is not directly insured or provided by a licensed insurer, service plan corporation, or health maintenance organization.

(e) "Vendor of risk management services" means an entity providing for compensation actuarial, financial management, accounting, legal or other services for the purpose of designing and establishing a self insurance plan for an employer.

(3) LICENSE. No vendor of risk management services or entity administering a self insurance plan may transact such business in this state unless it is licensed to do so by the commissioner. An applicant for a license shall state in writing the type of activities it seeks authorization to engage in and the type of services it seeks authorization to provide. The license shall be granted only when the commissioner is satisfied that the entity possesses the necessary organization, background, expertise, and financial integrity to supply the services sought to be offered. The commissioner may issue a license subject to restrictions or limitations upon the authorization, including the type of services which may be supplied or the activities which may be engaged in. The license fee shall be \$100. All licenses shall be for a period of two years.

(4) REGULATORY RESTRICTIONS; POWERS OF THE COMMISSIONER. To assure that self insurance plans are financially solvent, are administered in a fair and equitable fashion, and are processing claims and paying benefits in a prompt, fair, and honest manner, vendors of risk management services and entities administering self insurance plans are subject to the supervision and examination by the commissioner. Vendors of risk management services, entities administering self insurance plans, and self insurance plans established or operated by them shall be subject to the trade practice requirements of sections 72A.19 to 72A.30.

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(5) RULE MAKING AUTHORITY. To carry out the purposes of this subdivision, the commissioner may promulgate administrative rules, including emergency rules, pursuant to sections 15.0411 to 15.052. These rules may:

(a) Establish reporting requirements for administrators of self insurance plans;

(b) Establish standards and guidelines to assure the adequacy of financing, reinsuring, and administration of self insurance plans;

(c) Establish bonding requirements or other provisions assuring the financial integrity of entities administering self insurance plans; or

(d) Establish other reasonable requirements to further the purposes of this subdivision.

Sec. 2. Minnesota Statutes 1978, Section 471.616, Subdivision 1, is amended to read:

**471.616 GROUP INSURANCE; GOVERNMENTAL UNITS.** Subdivision 1. **BIDDING REQUIRED.** No governmental subdivision, political subdivision, or any other body corporate and politic authorized by law to purchase group insurance for its employees and providing or intending to provide such group insurance protections and benefits for 25 or more of its employees shall enter into a contract for or renew any such group insurance policy or contract without calling for bids and awarding the contract to the lowest responsible bidder by way of competitive bidding procedures similar to those for the provision of services and supplies under Minnesota Statutes 1971, Section 16.07, Subdivisions 1, 2, 4 and 5. Any political subdivision may provide in the bid specifications that self insured health benefit plans will not be considered. Lowest responsible bidder means the insurer or service plan corporation submitting the lowest premium rate or the lowest charge for expenses and risk taking in accordance with the specifications for the coverage and administrative services from among such insurers or service plan corporations authorized to do business in this state which are deemed by the governmental unit to be financially able to carry the risk proposed and are capable of satisfactorily performing the administration of the policy or contract, or self insurance plan, if allowed by the bid specifications which offers the lowest cost, is authorized to do business in this state, and is deemed by the governmental unit to be capable of satisfactorily performing the administration of the policy or contract in accordance with the bid specifications. "Cost" shall mean in the case of an insurer, the premium rate; in the case of service plan corporation, the charge for expenses and risk taking; and in the case of self insurance plans, the sum of the cost of paid claims, including provision for estimated incurred but unpaid claims at the end of the term, administrative costs, and premium for excess coverage. The cost of changing insurers plans may also be considered in determining the lowest premium rate or the lowest charge for expenses and risk taking cost. The aggregate value of benefits provided by a contract entered into after July 1, 1973 shall not be less than those provided by the preexisting contract (a) unless a majority of the employees covered under the group insurance plan and voting on the question agree to a reduction in the benefits, if the employees

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are not represented by an exclusive representative pursuant to section 179.67, or (b) unless the public employer and the exclusive representative of the employees of an appropriate bargaining unit, certified pursuant to section 179.67, agree to a reduction in the benefits. (c) The aggregate value of benefits of any former employee who has retired shall not, in any event, be reduced pursuant to clause (a) or (b), unless he has individually agreed to the reduction.

No such contract need be submitted to bid more frequently than once every 48 months, unless for any reason whatsoever, a 50 percent or greater change in the premium under the policy contract is provided, required or indicated.

When an insurer proposes an increase in rates, it shall accompany its proposal with an aggregate claims record for the appropriate period that explains the proposed increase. When a contract is resubmitted for bids the aggregate claims record shall accompany the specifications for the contract.

Sec. 3. Minnesota Statutes 1978, Chapter 471, is amended by adding a section to read:

**[471.617] SELF INSURANCE OF EMPLOYEE HEALTH BENEFITS.**

Subdivision 1. A statutory or home rule charter city or county or school district, or instrumentality thereof which has more than 100 employees, may by ordinance or resolution self insure for any employee health benefits except long term disability and life benefits. Any self insurance plan shall provide all benefits which are required by law to be provided by group health insurance policies. Self insurance plans shall be certified as provided by section 62E.05. Employee wage deductions for the purpose of funding a self insured health benefit plan shall be subject to the licensing provisions of section 60A.23, subdivision 7.

Subd. 2. Any two or more statutory or home rule charter cities or counties or school districts or instrumentalities thereof which together have more than 100 employees may jointly self insure for any employee health benefits except long term disability and life benefits, subject to the same requirements as an individual self insurer under subdivision 1. The commissioner of insurance is authorized to promulgate administrative rules, providing standards or guidelines for the operation and administration of self insurance pools.

Subd. 3. Any self insurance plan covering fewer than 1,000 employees shall include excess or stop-loss coverage, provided by a licensed insurance company or service plan corporation. This excess or stop-loss coverage shall cover all eligible claims incurred during the term of the policy or contract, regardless of the time of payment of the claims, or the self insurance plan shall provide for reserving of an appropriate amount of funds to cover the estimated cost of claims incurred, but unpaid, during the term of the policy or contract. These funds shall be in addition to funds reserved to cover the claims paid during the term of the policy or contract. The excess or stop-loss coverage shall be provided at levels in excess of self insured retention which is appropriate, taking into account the number of covered persons in the group.

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Subd. 4. No statutory or home rule charter city or county or school district or instrumentality thereof, shall adopt a self insured health benefit plan for any employees represented by an exclusive representative certified pursuant to section 179.67 without prior notification and consultation on ten days written notice to the exclusive representative.

Subd. 5. No political subdivision or its employee or agent shall disclose any information about individual claims or total claims of an individual without the consent of the individual, except that the information may be disclosed to officers, employees, or agents of the political subdivision to the extent necessary to enable them to perform their duties in administering the health benefit program. This provision shall not prevent the disclosure of aggregate claims for the group without identification of any individual.

A parent or legal guardian of a minor is authorized to act on behalf of the minor in the disclosure of a record.

Subd. 6. Any statutory or home rule charter city or county or school district, or instrumentality thereof having a self insured health benefit plan on the effective date of this statute may continue to operate that plan notwithstanding that the plan does not meet the minimum employee group size requirement of subdivision 1.

Sec. 4. The commissioner shall perform the duties assigned in this act within the appropriations and complement established by Laws 1979, Chapter 333, Section 32.

Sec. 5. REPEALER. Minnesota Statutes, 1979 Supplement, Section 471.61, Subdivision 1b, is repealed.

Sec. 6. EFFECTIVE DATE. Section 1 is effective July 1, 1980.

Approved April 11, 1980

## CHAPTER 529—H.F.No. 262

*An act relating to local government; permitting self insurance for local governments; authorizing insurance pooling; appropriating money; amending Minnesota Statutes 1978, Sections 60A.02, Subdivisions 3 and 4; 79.01, Subdivisions 2 and 3; and Chapter 471, by adding sections.*

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA: .

Section 1. Minnesota Statutes 1978, Section 60A.02, Subdivision 3, is amended to read:

Subd. 3. **INSURANCE.** "Insurance" is any agreement whereby one party, for a consideration, undertakes to indemnify another to a specified amount against loss or damage from specified causes, or to do some act of value to the

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