

1 Public Protection Cabinet
2 Department of Insurance
3 Division of Health, Life Insurance and Managed Care
4 (Amendment)
5 806 KAR 17:450. Insurance purchasing outlet requirements.

6 RELATES TO: KRS 304.2-310, 304.9-052, 304.17A-200, 304.17A-750-304.17A-770,
7 304.47-020

8 STATUTORY AUTHORITY: KRS 304.2-110(1), 304.17A-752(3), 304.17A-758(8),
9 304.17A-760(1)(i), 304.17A-762(3)(c), 304.17A-768(8)

10 NECESSITY, FUNCTION, AND CONFORMITY: KRS 304.2-110(1) authorizes the
11 Commissioner [~~Executive Director~~] of Insurance to promulgate [~~make~~] reasonable administrative
12 regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance
13 Code as defined in KRS 304.1-010. KRS 304.17A-752(3) authorizes the commissioner [~~executive~~
14 ~~director~~] to promulgate administrative regulations necessary to administer KRS 304.17A-750
15 through 304.17A-770. KRS 304.17A-758(8) requires the commissioner [~~executive director~~] to
16 promulgate regulations to establish fees for the initial registration and renewal of registration of
17 an insurance purchasing outlet. KRS 304.17A-760(1)(i) requires the commissioner [~~executive~~
18 ~~director~~] to promulgate administrative regulations to establish a process for insurance purchasing
19 outlets to prepare and file annual reports on the operations of the insurance purchasing outlet. KRS
20 304.17A-762(3)(c) requires the commissioner [~~executive director~~] promulgate regulations to
21 establish disclosures that are required to be made by the insurance purchasing outlet to insurance

1 purchasing outlet members when the member enrolls. KRS 304.17A-768(8) requires the
2 commissioner [~~executive director~~] to promulgate administrative regulations to implement the
3 provisions of that section involving vouchers. The purpose of this [~~This~~] administrative regulation
4 is to establish [~~establishes~~] insurance purchasing outlet requirements, procedures for registering
5 insurance purchasing outlets, and the voucher process.

6 Section 1. Definitions. (1) "Business entity" means an applicant for a certificate of
7 registration to act as an insurance purchasing outlet.

8 (2) "Commissioner" is defined by 304.1-050(1) [~~"Executive Director" of Insurance~~].

9 (3) "Department" is defined by KRS 304.1-050(2) [~~"Office" means Office of Insurance~~].

10 (4) "Eligible employee" is defined by [~~in~~] KRS 304.17A-750(1).

11 (5) "Employer" is defined by [~~in~~] KRS 304.17A-750(3).

12 (6) "Insurance purchasing outlet" is defined by [~~in~~] KRS 304.17A-750(4).

13 (7) "Insurance purchasing outlet member" or "member" is defined by [~~in~~] KRS 304.17A-
14 750(5).

15 (8) "Voucher" is defined by [~~in~~] KRS 304.17A-750(7).

16 Section 2. Application for Certificate of Registration. (1) A business entity seeking
17 issuance of or renewal of a certificate of registration shall submit to the department [~~office~~] the
18 following:

19 (a) A completed Insurance Purchasing Outlet Application for Registration, HIPMC-IPO-1
20 (7/02);

21 (b) All the documentation and information required by KRS 304.17A-754(4); and

22 (c) A fee as required by Section 3 of this administrative regulation.

1 (2) Since KRS 304.4-010(2) requires all fees payable under the insurance code to be
2 collected in advance, the period of time in which the commissioner [~~executive director~~] may act
3 on an application for issuance of a certificate of registration, pursuant to KRS 304.17A-754(3),
4 shall not commence, until the following are received by the department [~~office~~]:

5 (a) All the information required by KRS 304.17A-750 through 304.17A-768 and Sections
6 2 through 8 of this administrative regulation; and

7 (b) Appropriate fee pursuant to Section 3 of this administrative regulation.

8 (3) A business entity seeking to renew a certificate of registration to act as an insurance
9 purchasing outlet shall file an application to renew a certificate of registration:

10 (a) Biennially in accordance with KRS 304.17A-758(6); and

11 (b) At least ninety (90) days prior to expiration of the certificate of registration.

12 (4) Upon receipt of an application for issuance or renewal of certificate of registration, the
13 department [~~office~~] shall:

14 (a) Inform the applicant if supplemental information is or is not needed:

15 1. Applicant shall submit requested information within thirty (30) days; or

16 2. If requested information is not provided to the department [~~office~~] within thirty (30)
17 days, the department [~~office~~] shall:

18 a. Deny the application for issuance or renewal of a certificate of registration to act as an
19 insurance purchasing outlet; and

20 b. Not refund the application fee;

21 (b) Review the application and material required by KRS 304.17A-754(4) and Sections 2
22 through 8 of this administrative regulation; and

1 (c) Approve or deny issuance or renewal of the certificate of registration to act as an
2 insurance purchasing outlet.

3 (5) Pursuant to KRS 304.17A-754(5), an insurance purchasing outlet shall submit to the
4 department [~~office~~] a change to the original documentation or information that was submitted to
5 the department [~~office~~] for issuance or renewal of a certificate of registration as follows:

6 (a) All updated documentation or information shall be submitted to the department [~~office~~]
7 within thirty (30) days after the insurance purchasing outlet knew of the change; and

8 (b) A fee to submit updated information shall be paid in accordance with Section 3 of this
9 administrative regulation.

10 Section 3. Fees. (1) An application for issuance of a certificate of registration to act as an
11 insurance purchasing outlet shall be accompanied by a fee of two-hundred (200) [~~\$200~~] dollars to
12 pay administrative and other costs associated with carrying out the provision of KRS 304.17A-750
13 through 304.17A-768.

14 (2) A submission to change the information filed by an insurance purchasing outlet, in
15 accordance with KRS 304.17A-754(5), and Sections 2 through 8 of this administrative regulation,
16 shall be accompanied by a fee of twenty-five (25) dollars to pay administrative and other costs
17 associated with carrying out the provisions of KRS 304.17A-750 through 304.17A-768.

18 (3) An application to renew a certificate of registration as an insurance purchasing outlet,
19 in accordance with KRS 304.17A-758(6), shall be accompanied by a fee of fifty (50) dollars to
20 pay administrative and other costs associated with carrying out the provisions of KRS 304.17A-
21 750 through 304.17A-768.

1 Section 4. Annual and Quarterly Financial Statements Required. In accordance with
2 requirements and timeframes established in KRS 304.17A-758 and 304.17A-760, an insurance
3 purchasing outlet shall:

4 (1) Annually, submit:

5 (a) In accordance with the timeframe established in KRS 304.17A-758(4), an annual
6 financial statement, including an audited financial statement, in accordance with the HIPMC-IPO-
7 3, 9/02 (9/02); and

8 (b) Within sixty (60) days after the end of the fiscal year of the insurance purchasing outlet,
9 a report on operations in accordance with the HIPMC-IPO-2, 9/02 (9/02). The report shall include:

10 1. Membership enrollment in tabular form by:

11 a. Month;

12 b. Quarter; and

13 c. Year-to-date; and

14 2. Discussion and analysis of financial condition and results of operations.

15 (2) Quarterly, submit a financial statement, in accordance with the format established in
16 HIPMC-IPO-4, 9/02 (9/02).

17 (3) An insurance purchasing outlet shall file its financial statements, as required by KRS
18 304.17A-758, in accordance with Financial Accounting Standards Board Statements.

19 Section 5. Advertising and Marketing Materials Required to be Filed. An insurance purchasing
20 outlet shall file all advertising and marketing materials, of any nature, with the commissioner
21 [~~executive director~~] for informational purposes:

22 (1) Materials submitted shall contain a form number on the lower left hand corner of every
23 page of the filed document; and

1 (2) A filing fee of five (5) dollars for each form or marketing material shall be required to
2 be submitted at the time of the filing.

3 Section 6. Disclosures Required. (1) In writing, and at the time of enrollment, an insurance
4 purchasing outlet shall provide disclosures to its members as follows:

5 (a) Premium payment procedures;

6 (b) Voucher payment procedures;

7 (c) The insurance purchasing outlet's reinstatement policy for members terminated for
8 nonpayment of premium; and

9 (d) As required by KRS 304.17A-762(3).

10 (2) In writing, the insurance purchasing outlet shall provide the following disclosures to an
11 eligible person or eligible employee when an application for membership is submitted:

12 (a) The appeal rights for a person denied membership in the insurance purchasing outlet as
13 required by KRS 304.17A-754(4)(c); and

14 (b) The enrollment procedures of the insurance purchasing outlet.

15 Section 7. Vouchers. (1) An insurance purchasing outlet shall:

16 (a) Accept all vouchers; and

17 (b) Submit the voucher to the insurance purchasing outlet member's employer for payment
18 within five (5) business days of receipt of the voucher from the member.

19 (2) If the insurance purchasing outlet does not receive payment for the voucher from the
20 member's employer within ten (10) business days of submission, the insurance purchasing outlet
21 shall notify the member, within three (3) business days, by certified mail return receipt requested,
22 that the member's employer failed to redeem the voucher within the required time. At the same

1 time, the insurance purchasing outlet shall also notify the member that he may pay the premium
2 amount directly to the insurance purchasing outlet pursuant to KRS 304.17A-768(2).

3 (3) A voucher shall contain the following information:

4 (a) The name of the employer;

5 (b) The mailing address of the employer;

6 (c) The business telephone number of the employer;

7 (d) The tax identification number of the employer;

8 (e) The name of the employee;

9 (f) The employee's Social Security number;

10 (g) The dollar amount of the voucher;

11 (h) The dates during which the voucher is valid; and

12 (i) That the voucher is nonassignable and nontransferable as specifically stated in KRS
13 304.17A-768(1).

14 Section 8. Reinstatement Policy Required. (1) An insurance purchasing outlet shall have
15 a reinstatement policy for an eligible employee and an eligible person who is terminated from the
16 health benefit plan for nonpayment of premium.

17 (2) An eligible employee or an eligible person who has been terminated, pursuant to KRS
18 304.17A-245, shall be reinstated as a member of the insurance purchasing outlet if he meets the
19 reinstatement requirements of the insurance purchasing outlet and the insurer.

20 (3) An insurance purchasing outlet shall not deny an eligible employee or an eligible person
21 reinstatement based on any health status-related factor listed in KRS 304.17A-200 or consideration
22 of medical loss ratio.

1 (4) If premium is not paid and the insurance purchasing outlet receives notification of
2 termination for the member, pursuant to KRS 304.17A-245, the insurance purchasing outlet shall
3 notify the member, within five (5) business days of receiving notification of termination from the
4 insurer, that he is terminated. The insurance purchasing outlet shall notify the member of his
5 termination by regular first class mail to the last known address of the member.

6 Section 9. Cessation of Operations of the Insurance Purchasing Outlet. (1) Upon a decision
7 to cease operating as an insurance purchasing outlet, the insurance purchasing outlet shall:

8 (a) Immediately notify the department, in writing, its decision to cease accepting new
9 members to the insurance purchasing outlet; and

10 (b) Submit the following to the department [~~office~~] ninety (90) days prior to ceasing
11 operations:

12 1. Written notification of the cessation of operations, including the date of cessation and
13 the number of current members of the insurance purchasing outlet; and

14 2. A written action plan for ceasing operations, which shall be approved by the department
15 [~~office~~] and include:

16 a. Copies of letters that will be mailed to members and insurers notifying them of the
17 decision to cease operating as an insurance purchasing outlet; and

18 b. The projected date for processing all voucher and premium payments.

19 (2) Upon receipt of a written notification as required in subsection (1) of this section, the
20 department [~~office~~] shall review and act upon the action plan of the insurance purchasing outlet.

21 (3) Upon approval of an action plan to cease operations by the department [~~office~~], the
22 insurance purchasing outlet shall send written notification, at least sixty (60) days in advance of

1 the date that it will cease operations, to insurance purchasing outlet members and insurers issuing
2 health benefit plans to its members.

3 (4) Upon being notified by the insurance purchasing outlet of its decision to cease
4 operations, the insurer shall notify all members of the insurance purchasing outlet that the health
5 benefit plan offered through the insurance purchasing outlet shall be terminated and that the
6 member has the right to elect a conversion policy pursuant to KRS 304.17A-766.

7 Section 10. Hearing Process. (1) An insurance purchasing outlet may request a hearing
8 pursuant to KRS 304.2-310(2)(b) if the commissioner [~~executive director~~]:

9 (a) Denies an application for a certificate of registration to act as an insurance purchasing
10 outlet;

11 (b) Suspends or revokes a certificate of registration held by an insurance purchasing outlet;

12 or

13 (c) Imposes a civil penalty against an insurance purchasing outlet.

14 (2) The commissioner may take administrative action against an insurance purchasing
15 outlet for any violation of KRS 304.17A-750 through 304.17A-770, 304.47-020, and Sections 2
16 through 9 of this administrative regulation.

17 Section 11. Material Incorporated by Reference. (1) The following material is incorporated
18 by reference:

19 (a) "Insurance Purchasing Outlet Application for Registration," HIPMC-IPO-1, 7/02
20 [~~(7/02)~~];

21 (b) "Annual Report on Operations of Insurance Purchasing Outlet," HIPMC-IPO-2, 9/02
22 [~~(9/02)~~];