

AMENDMENT

OFFERED BY MR. MCKEON OF CALIFORNIA

[HRdraft1]

Add at the end of division A the following new title:

1 **TITLE VI—SMALL BUSINESS**
2 **HEALTH FAIRNESS**

3 **SECTION 601. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This title may be cited as the
5 “Small Business Health Fairness Act of 2009”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 this title is as follows:

TITLE VI—SMALL BUSINESS HEALTH FAIRNESS

- Sec. 601. Short title; table of contents.
- Sec. 602. Rules governing association health plans.
- Sec. 603. Clarification of treatment of single employer arrangements.
- Sec. 604. Enforcement provisions relating to association health plans.
- Sec. 605. Cooperation between Federal and State authorities.
- Sec. 606. Effective date and transitional and other rules.

8 **SEC. 602. RULES GOVERNING ASSOCIATION HEALTH**
9 **PLANS.**

10 (a) **IN GENERAL.**—Subtitle B of title I of the Em-
11 ployee Retirement Income Security Act of 1974 is amend-
12 ed by adding after part 7 the following new part:

1 **“PART 9—RULES GOVERNING ASSOCIATION**

2 **HEALTH PLANS**

3 **“SEC. 901. ASSOCIATION HEALTH PLANS.**

4 “(a) IN GENERAL.—For purposes of this part, the
5 term ‘association health plan’ means a group health plan
6 whose sponsor is (or is deemed under this part to be) de-
7 scribed in subsection (b).

8 “(b) SPONSORSHIP.—The sponsor of a group health
9 plan is described in this subsection if such sponsor—

10 “(1) is organized and maintained in good faith,
11 with a constitution and bylaws specifically stating its
12 purpose and providing for periodic meetings on at
13 least an annual basis, as a bona fide trade associa-
14 tion, a bona fide industry association (including a
15 rural electric cooperative association or a rural tele-
16 phone cooperative association), a bona fide profes-
17 sional association, or a bona fide chamber of com-
18 merce (or similar bona fide business association, in-
19 cluding a corporation or similar organization that
20 operates on a cooperative basis (within the meaning
21 of section 1381 of the Internal Revenue Code of
22 1986)), for substantial purposes other than that of
23 obtaining or providing medical care;

24 “(2) is established as a permanent entity which
25 receives the active support of its members and re-
26 quires for membership payment on a periodic basis

1 of dues or payments necessary to maintain eligibility
2 for membership in the sponsor; and

3 “(3) does not condition membership, such dues
4 or payments, or coverage under the plan on the
5 basis of health status-related factors with respect to
6 the employees of its members (or affiliated mem-
7 bers), or the dependents of such employees, and does
8 not condition such dues or payments on the basis of
9 group health plan participation.

10 Any sponsor consisting of an association of entities which
11 meet the requirements of paragraphs (1), (2), and (3)
12 shall be deemed to be a sponsor described in this sub-
13 section.

14 **“SEC. 902. CERTIFICATION OF ASSOCIATION HEALTH**
15 **PLANS.**

16 “(a) IN GENERAL.—The applicable authority shall
17 prescribe by regulation a procedure under which, subject
18 to subsection (b), the applicable authority shall certify as-
19 sociation health plans which apply for certification as
20 meeting the requirements of this part.

21 “(b) STANDARDS.—Under the procedure prescribed
22 pursuant to subsection (a), in the case of an association
23 health plan that provides at least one benefit option which
24 does not consist of health insurance coverage, the applica-
25 ble authority shall certify such plan as meeting the re-

1 requirements of this part only if the applicable authority is
2 satisfied that the applicable requirements of this part are
3 met (or, upon the date on which the plan is to commence
4 operations, will be met) with respect to the plan.

5 “(c) REQUIREMENTS APPLICABLE TO CERTIFIED
6 PLANS.—An association health plan with respect to which
7 certification under this part is in effect shall meet the ap-
8 plicable requirements of this part, effective on the date
9 of certification (or, if later, on the date on which the plan
10 is to commence operations).

11 “(d) REQUIREMENTS FOR CONTINUED CERTIFI-
12 CATION.—The applicable authority may provide by regula-
13 tion for continued certification of association health plans
14 under this part.

15 “(e) CLASS CERTIFICATION FOR FULLY INSURED
16 PLANS.—The applicable authority shall establish a class
17 certification procedure for association health plans under
18 which all benefits consist of health insurance coverage.
19 Under such procedure, the applicable authority shall pro-
20 vide for the granting of certification under this part to
21 the plans in each class of such association health plans
22 upon appropriate filing under such procedure in connec-
23 tion with plans in such class and payment of the pre-
24 scribed fee under section 907(a).

1 “(f) CERTIFICATION OF SELF-INSURED ASSOCIATION
2 HEALTH PLANS.—An association health plan which offers
3 one or more benefit options which do not consist of health
4 insurance coverage may be certified under this part only
5 if such plan consists of any of the following:

6 “(1) a plan which offered such coverage on the
7 date of the enactment of the Small Business Health
8 Fairness Act of 2009,

9 “(2) a plan under which the sponsor does not
10 restrict membership to one or more trades and busi-
11 nesses or industries and whose eligible participating
12 employers represent a broad cross-section of trades
13 and businesses or industries, or

14 “(3) a plan whose eligible participating employ-
15 ers represent one or more trades or businesses, or
16 one or more industries, consisting of any of the fol-
17 lowing: agriculture; equipment and automobile deal-
18 erships; barbering and cosmetology; certified public
19 accounting practices; child care; construction; dance,
20 theatrical and orchestra productions; disinfecting
21 and pest control; financial services; fishing; food
22 service establishments; hospitals; labor organiza-
23 tions; logging; manufacturing (metals); mining; med-
24 ical and dental practices; medical laboratories; pro-
25 fessional consulting services; sanitary services; trans-

1 “(2) RULES OF OPERATION AND FINANCIAL
2 CONTROLS.—The board of trustees has in effect
3 rules of operation and financial controls, based on a
4 3-year plan of operation, adequate to carry out the
5 terms of the plan and to meet all requirements of
6 this title applicable to the plan.

7 “(3) RULES GOVERNING RELATIONSHIP TO
8 PARTICIPATING EMPLOYERS AND TO CONTRAC-
9 TORS.—

10 “(A) BOARD MEMBERSHIP.—

11 “(i) IN GENERAL.—Except as pro-
12 vided in clauses (ii) and (iii), the members
13 of the board of trustees are individuals se-
14 lected from individuals who are the owners,
15 officers, directors, or employees of the par-
16 ticipating employers or who are partners in
17 the participating employers and actively
18 participate in the business.

19 “(ii) LIMITATION.—

20 “(I) GENERAL RULE.—Except as
21 provided in subclauses (II) and (III),
22 no such member is an owner, officer,
23 director, or employee of, or partner in,
24 a contract administrator or other
25 service provider to the plan.

1 “(II) LIMITED EXCEPTION FOR
2 PROVIDERS OF SERVICES SOLELY ON
3 BEHALF OF THE SPONSOR.—Officers
4 or employees of a sponsor which is a
5 service provider (other than a contract
6 administrator) to the plan may be
7 members of the board if they con-
8 stitute not more than 25 percent of
9 the membership of the board and they
10 do not provide services to the plan
11 other than on behalf of the sponsor.

12 “(III) TREATMENT OF PRO-
13 VIDERS OF MEDICAL CARE.—In the
14 case of a sponsor which is an associa-
15 tion whose membership consists pri-
16 marily of providers of medical care,
17 subclause (I) shall not apply in the
18 case of any service provider described
19 in subclause (I) who is a provider of
20 medical care under the plan.

21 “(iii) CERTAIN PLANS EXCLUDED.—
22 Clause (i) shall not apply to an association
23 health plan which is in existence on the
24 date of the enactment of the Small Busi-
25 ness Health Fairness Act of 2009.

1 “(B) SOLE AUTHORITY.—The board has
2 sole authority under the plan to approve appli-
3 cations for participation in the plan and to con-
4 tract with a service provider to administer the
5 day-to-day affairs of the plan.

6 “(c) TREATMENT OF FRANCHISE NETWORKS.—In
7 the case of a group health plan which is established and
8 maintained by a franchiser for a franchise network con-
9 sisting of its franchisees—

10 “(1) the requirements of subsection (a) and sec-
11 tion 901(a) shall be deemed met if such require-
12 ments would otherwise be met if the franchiser were
13 deemed to be the sponsor referred to in section
14 901(b), such network were deemed to be an associa-
15 tion described in section 901(b), and each franchisee
16 were deemed to be a member (of the association and
17 the sponsor) referred to in section 901(b); and

18 “(2) the requirements of section 904(a)(1) shall
19 be deemed met.

20 The Secretary may by regulation define for purposes of
21 this subsection the terms ‘franchiser’, ‘franchise network’,
22 and ‘franchisee’.

1 **“SEC. 904. PARTICIPATION AND COVERAGE REQUIRE-**
2 **MENTS.**

3 “(a) COVERED EMPLOYERS AND INDIVIDUALS.—The
4 requirements of this subsection are met with respect to
5 an association health plan if, under the terms of the
6 plan—

7 “(1) each participating employer must be—

8 “(A) a member of the sponsor,

9 “(B) the sponsor, or

10 “(C) an affiliated member of the sponsor
11 with respect to which the requirements of sub-
12 section (b) are met,

13 except that, in the case of a sponsor which is a pro-
14 fessional association or other individual-based asso-
15 ciation, if at least one of the officers, directors, or
16 employees of an employer, or at least one of the in-
17 dividuals who are partners in an employer and who
18 actively participates in the business, is a member or
19 such an affiliated member of the sponsor, partici-
20 pating employers may also include such employer;
21 and

22 “(2) all individuals commencing coverage under
23 the plan after certification under this part must
24 be—

25 “(A) active or retired owners (including
26 self-employed individuals), officers, directors, or

1 employees of, or partners in, participating em-
2 ployers; or

3 “(B) the beneficiaries of individuals de-
4 scribed in subparagraph (A).

5 “(b) COVERAGE OF PREVIOUSLY UNINSURED EM-
6 PLOYEES.—In the case of an association health plan in
7 existence on the date of the enactment of the Small Busi-
8 ness Health Fairness Act of 2009, an affiliated member
9 of the sponsor of the plan may be offered coverage under
10 the plan as a participating employer only if—

11 “(1) the affiliated member was an affiliated
12 member on the date of certification under this part;
13 or

14 “(2) during the 12-month period preceding the
15 date of the offering of such coverage, the affiliated
16 member has not maintained or contributed to a
17 group health plan with respect to any of its employ-
18 ees who would otherwise be eligible to participate in
19 such association health plan.

20 “(c) INDIVIDUAL MARKET UNAFFECTED.—The re-
21 quirements of this subsection are met with respect to an
22 association health plan if, under the terms of the plan,
23 no participating employer may provide health insurance
24 coverage in the individual market for any employee not
25 covered under the plan which is similar to the coverage

1 contemporaneously provided to employees of the employer
2 under the plan, if such exclusion of the employee from cov-
3 erage under the plan is based on a health status-related
4 factor with respect to the employee and such employee
5 would, but for such exclusion on such basis, be eligible
6 for coverage under the plan.

7 “(d) PROHIBITION OF DISCRIMINATION AGAINST
8 EMPLOYERS AND EMPLOYEES ELIGIBLE TO PARTICI-
9 PATE.—The requirements of this subsection are met with
10 respect to an association health plan if—

11 “(1) under the terms of the plan, all employers
12 meeting the preceding requirements of this section
13 are eligible to qualify as participating employers for
14 all geographically available coverage options, unless,
15 in the case of any such employer, participation or
16 contribution requirements of the type referred to in
17 section 2711 of the Public Health Service Act are
18 not met;

19 “(2) upon request, any employer eligible to par-
20 ticipate is furnished information regarding all cov-
21 erage options available under the plan; and

22 “(3) the applicable requirements of sections
23 701, 702, and 703 are met with respect to the plan.

1 **“SEC. 905. OTHER REQUIREMENTS RELATING TO PLAN**
2 **DOCUMENTS, CONTRIBUTION RATES, AND**
3 **BENEFIT OPTIONS.**

4 “(a) IN GENERAL.—The requirements of this section
5 are met with respect to an association health plan if the
6 following requirements are met:

7 “(1) CONTENTS OF GOVERNING INSTRU-
8 MENTS.—The instruments governing the plan in-
9 clude a written instrument, meeting the require-
10 ments of an instrument required under section
11 402(a)(1), which—

12 “(A) provides that the board of trustees
13 serves as the named fiduciary required for plans
14 under section 402(a)(1) and serves in the ca-
15 pacity of a plan administrator (referred to in
16 section 3(16)(A));

17 “(B) provides that the sponsor of the plan
18 is to serve as plan sponsor (referred to in sec-
19 tion 3(16)(B)); and

20 “(C) incorporates the requirements of sec-
21 tion 906.

22 “(2) CONTRIBUTION RATES MUST BE NON-
23 DISCRIMINATORY.—

24 “(A) The contribution rates for any par-
25 ticipating small employer do not vary on the
26 basis of any health status-related factor in rela-

1 tion to employees of such employer or their
2 beneficiaries and do not vary on the basis of the
3 type of business or industry in which such em-
4 ployer is engaged.

5 “(B) Nothing in this title or any other pro-
6 vision of law shall be construed to preclude an
7 association health plan, or a health insurance
8 issuer offering health insurance coverage in
9 connection with an association health plan,
10 from—

11 “(i) setting contribution rates based
12 on the claims experience of the plan; or

13 “(ii) varying contribution rates for
14 small employers in a State to the extent
15 that such rates could vary using the same
16 methodology employed in such State for
17 regulating premium rates in the small
18 group market with respect to health insur-
19 ance coverage offered in connection with
20 bona fide associations (within the meaning
21 of section 2791(d)(3) of the Public Health
22 Service Act),

23 subject to the requirements of section 702(b)
24 relating to contribution rates.

1 “(3) FLOOR FOR NUMBER OF COVERED INDI-
2 VIDUALS WITH RESPECT TO CERTAIN PLANS.—If
3 any benefit option under the plan does not consist
4 of health insurance coverage, the plan has as of the
5 beginning of the plan year not fewer than 1,000 par-
6 ticipants and beneficiaries.

7 “(4) MARKETING REQUIREMENTS.—

8 “(A) IN GENERAL.—If a benefit option
9 which consists of health insurance coverage is
10 offered under the plan, State-licensed insurance
11 agents shall be used to distribute to small em-
12 ployers coverage which does not consist of
13 health insurance coverage in a manner com-
14 parable to the manner in which such agents are
15 used to distribute health insurance coverage.

16 “(B) STATE-LICENSED INSURANCE
17 AGENTS.—For purposes of subparagraph (A),
18 the term ‘State-licensed insurance agents’
19 means one or more agents who are licensed in
20 a State and are subject to the laws of such
21 State relating to licensure, qualification, test-
22 ing, examination, and continuing education of
23 persons authorized to offer, sell, or solicit
24 health insurance coverage in such State.

1 “(5) REGULATORY REQUIREMENTS.—Such
2 other requirements as the applicable authority deter-
3 mines are necessary to carry out the purposes of this
4 part, which shall be prescribed by the applicable au-
5 thority by regulation.

6 “(b) ABILITY OF ASSOCIATION HEALTH PLANS TO
7 DESIGN BENEFIT OPTIONS.—Subject to section 514(d),
8 nothing in this part or any provision of State law (as de-
9 fined in section 514(c)(1)) shall be construed to preclude
10 an association health plan, or a health insurance issuer
11 offering health insurance coverage in connection with an
12 association health plan, from exercising its sole discretion
13 in selecting the specific items and services consisting of
14 medical care to be included as benefits under such plan
15 or coverage, except (subject to section 514) in the case
16 of (1) any law to the extent that it is not preempted under
17 section 731(a)(1) with respect to matters governed by sec-
18 tion 711, 712, or 713, or (2) any law of the State with
19 which filing and approval of a policy type offered by the
20 plan was initially obtained to the extent that such law pro-
21 hibits an exclusion of a specific disease from such cov-
22 erage.

1 **“SEC. 906. MAINTENANCE OF RESERVES AND PROVISIONS**
2 **FOR SOLVENCY FOR PLANS PROVIDING**
3 **HEALTH BENEFITS IN ADDITION TO HEALTH**
4 **INSURANCE COVERAGE.**

5 “(a) IN GENERAL.—The requirements of this section
6 are met with respect to an association health plan if—

7 “(1) the benefits under the plan consist solely
8 of health insurance coverage; or

9 “(2) if the plan provides any additional benefit
10 options which do not consist of health insurance cov-
11 erage, the plan—

12 “(A) establishes and maintains reserves
13 with respect to such additional benefit options,
14 in amounts recommended by the qualified actu-
15 ary, consisting of—

16 “(i) a reserve sufficient for unearned
17 contributions;

18 “(ii) a reserve sufficient for benefit li-
19 abilities which have been incurred, which
20 have not been satisfied, and for which risk
21 of loss has not yet been transferred, and
22 for expected administrative costs with re-
23 spect to such benefit liabilities;

24 “(iii) a reserve sufficient for any other
25 obligations of the plan; and

1 “(iv) a reserve sufficient for a margin
2 of error and other fluctuations, taking into
3 account the specific circumstances of the
4 plan; and

5 “(B) establishes and maintains aggregate
6 and specific excess/stop loss insurance and sol-
7 vency indemnification, with respect to such ad-
8 ditional benefit options for which risk of loss
9 has not yet been transferred, as follows:

10 “(i) The plan shall secure aggregate
11 excess/stop loss insurance for the plan with
12 an attachment point which is not greater
13 than 125 percent of expected gross annual
14 claims. The applicable authority may by
15 regulation provide for upward adjustments
16 in the amount of such percentage in speci-
17 fied circumstances in which the plan spe-
18 cifically provides for and maintains re-
19 serves in excess of the amounts required
20 under subparagraph (A).

21 “(ii) The plan shall secure specific ex-
22 cess/stop loss insurance for the plan with
23 an attachment point which is at least equal
24 to an amount recommended by the plan’s
25 qualified actuary. The applicable authority

1 may by regulation provide for adjustments
2 in the amount of such insurance in speci-
3 fied circumstances in which the plan spe-
4 cifically provides for and maintains re-
5 serves in excess of the amounts required
6 under subparagraph (A).

7 “(iii) The plan shall secure indem-
8 nification insurance for any claims which
9 the plan is unable to satisfy by reason of
10 a plan termination.

11 Any person issuing to a plan insurance described in clause
12 (i), (ii), or (iii) of subparagraph (B) shall notify the Sec-
13 retary of any failure of premium payment meriting can-
14 cellation of the policy prior to undertaking such a cancella-
15 tion. Any regulations prescribed by the applicable author-
16 ity pursuant to clause (i) or (ii) of subparagraph (B) may
17 allow for such adjustments in the required levels of excess/
18 stop loss insurance as the qualified actuary may rec-
19 ommend, taking into account the specific circumstances
20 of the plan.

21 “(b) MINIMUM SURPLUS IN ADDITION TO CLAIMS
22 RESERVES.—In the case of any association health plan de-
23 scribed in subsection (a)(2), the requirements of this sub-
24 section are met if the plan establishes and maintains sur-
25 plus in an amount at least equal to—

1 “(1) \$500,000, or

2 “(2) such greater amount (but not greater than
3 \$2,000,000) as may be set forth in regulations pre-
4 scribed by the applicable authority, considering the
5 level of aggregate and specific excess/stop loss insur-
6 ance provided with respect to such plan and other
7 factors related to solvency risk, such as the plan’s
8 projected levels of participation or claims, the nature
9 of the plan’s liabilities, and the types of assets avail-
10 able to assure that such liabilities are met.

11 “(c) **ADDITIONAL REQUIREMENTS.**—In the case of
12 any association health plan described in subsection (a)(2),
13 the applicable authority may provide such additional re-
14 quirements relating to reserves, excess/stop loss insurance,
15 and indemnification insurance as the applicable authority
16 considers appropriate. Such requirements may be provided
17 by regulation with respect to any such plan or any class
18 of such plans.

19 “(d) **ADJUSTMENTS FOR EXCESS/STOP LOSS INSUR-**
20 **ANCE.**—The applicable authority may provide for adjust-
21 ments to the levels of reserves otherwise required under
22 subsections (a) and (b) with respect to any plan or class
23 of plans to take into account excess/stop loss insurance
24 provided with respect to such plan or plans.

1 “(e) ALTERNATIVE MEANS OF COMPLIANCE.—The
2 applicable authority may permit an association health plan
3 described in subsection (a)(2) to substitute, for all or part
4 of the requirements of this section (except subsection
5 (a)(2)(B)(iii)), such security, guarantee, hold-harmless ar-
6 rangement, or other financial arrangement as the applica-
7 ble authority determines to be adequate to enable the plan
8 to fully meet all its financial obligations on a timely basis
9 and is otherwise no less protective of the interests of par-
10 ticipants and beneficiaries than the requirements for
11 which it is substituted. The applicable authority may take
12 into account, for purposes of this subsection, evidence pro-
13 vided by the plan or sponsor which demonstrates an as-
14 sumption of liability with respect to the plan. Such evi-
15 dence may be in the form of a contract of indemnification,
16 lien, bonding, insurance, letter of credit, recourse under
17 applicable terms of the plan in the form of assessments
18 of participating employers, security, or other financial ar-
19 rangement.

20 “(f) MEASURES TO ENSURE CONTINUED PAYMENT
21 OF BENEFITS BY CERTAIN PLANS IN DISTRESS.—

22 “(1) PAYMENTS BY CERTAIN PLANS TO ASSO-
23 CIATION HEALTH PLAN FUND.—

24 “(A) IN GENERAL.—In the case of an as-
25 sociation health plan described in subsection

1 (a)(2), the requirements of this subsection are
2 met if the plan makes payments into the Asso-
3 ciation Health Plan Fund under this subpara-
4 graph when they are due. Such payments shall
5 consist of annual payments in the amount of
6 \$5,000, and, in addition to such annual pay-
7 ments, such supplemental payments as the Sec-
8 retary may determine to be necessary under
9 paragraph (2). Payments under this paragraph
10 are payable to the Fund at the time determined
11 by the Secretary. Initial payments are due in
12 advance of certification under this part. Pay-
13 ments shall continue to accrue until a plan's as-
14 sets are distributed pursuant to a termination
15 procedure.

16 “(B) PENALTIES FOR FAILURE TO MAKE
17 PAYMENTS.—If any payment is not made by a
18 plan when it is due, a late payment charge of
19 not more than 100 percent of the payment
20 which was not timely paid shall be payable by
21 the plan to the Fund.

22 “(C) CONTINUED DUTY OF THE SEC-
23 RETARY.—The Secretary shall not cease to
24 carry out the provisions of paragraph (2) on ac-

1 count of the failure of a plan to pay any pay-
2 ment when due.

3 “(2) PAYMENTS BY SECRETARY TO CONTINUE
4 EXCESS/STOP LOSS INSURANCE COVERAGE AND IN-
5 DEMNIFICATION INSURANCE COVERAGE FOR CER-
6 TAIN PLANS.—In any case in which the applicable
7 authority determines that there is, or that there is
8 reason to believe that there will be: (A) a failure to
9 take necessary corrective actions under section
10 909(a) with respect to an association health plan de-
11 scribed in subsection (a)(2); or (B) a termination of
12 such a plan under section 909(b) or 910(b)(8) (and,
13 if the applicable authority is not the Secretary, cer-
14 tifies such determination to the Secretary), the Sec-
15 retary shall determine the amounts necessary to
16 make payments to an insurer (designated by the
17 Secretary) to maintain in force excess/stop loss in-
18 surance coverage or indemnification insurance cov-
19 erage for such plan, if the Secretary determines that
20 there is a reasonable expectation that, without such
21 payments, claims would not be satisfied by reason of
22 termination of such coverage. The Secretary shall, to
23 the extent provided in advance in appropriation
24 Acts, pay such amounts so determined to the insurer
25 designated by the Secretary.

1 “(3) ASSOCIATION HEALTH PLAN FUND.—

2 “(A) IN GENERAL.—There is established
3 on the books of the Treasury a fund to be
4 known as the ‘Association Health Plan Fund’.
5 The Fund shall be available for making pay-
6 ments pursuant to paragraph (2). The Fund
7 shall be credited with payments received pursu-
8 ant to paragraph (1)(A), penalties received pur-
9 suant to paragraph (1)(B); and earnings on in-
10 vestments of amounts of the Fund under sub-
11 paragraph (B).

12 “(B) INVESTMENT.—Whenever the Sec-
13 retary determines that the moneys of the fund
14 are in excess of current needs, the Secretary
15 may request the investment of such amounts as
16 the Secretary determines advisable by the Sec-
17 retary of the Treasury in obligations issued or
18 guaranteed by the United States.

19 “(g) EXCESS/STOP LOSS INSURANCE.—For purposes
20 of this section—

21 “(1) AGGREGATE EXCESS/STOP LOSS INSUR-
22 ANCE.—The term ‘aggregate excess/stop loss insur-
23 ance’ means, in connection with an association
24 health plan, a contract—

1 “(A) under which an insurer (meeting such
2 minimum standards as the applicable authority
3 may prescribe by regulation) provides for pay-
4 ment to the plan with respect to aggregate
5 claims under the plan in excess of an amount
6 or amounts specified in such contract;

7 “(B) which is guaranteed renewable; and

8 “(C) which allows for payment of pre-
9 miums by any third party on behalf of the in-
10 sured plan.

11 “(2) SPECIFIC EXCESS/STOP LOSS INSUR-
12 ANCE.—The term ‘specific excess/stop loss insur-
13 ance’ means, in connection with an association
14 health plan, a contract—

15 “(A) under which an insurer (meeting such
16 minimum standards as the applicable authority
17 may prescribe by regulation) provides for pay-
18 ment to the plan with respect to claims under
19 the plan in connection with a covered individual
20 in excess of an amount or amounts specified in
21 such contract in connection with such covered
22 individual;

23 “(B) which is guaranteed renewable; and

1 “(C) which allows for payment of pre-
2 miums by any third party on behalf of the in-
3 sured plan.

4 “(h) INDEMNIFICATION INSURANCE.—For purposes
5 of this section, the term ‘indemnification insurance’
6 means, in connection with an association health plan, a
7 contract—

8 “(1) under which an insurer (meeting such min-
9 imum standards as the applicable authority may pre-
10 scribe by regulation) provides for payment to the
11 plan with respect to claims under the plan which the
12 plan is unable to satisfy by reason of a termination
13 pursuant to section 909(b) (relating to mandatory
14 termination);

15 “(2) which is guaranteed renewable and
16 noncancellable for any reason (except as the applica-
17 ble authority may prescribe by regulation); and

18 “(3) which allows for payment of premiums by
19 any third party on behalf of the insured plan.

20 “(i) RESERVES.—For purposes of this section, the
21 term ‘reserves’ means, in connection with an association
22 health plan, plan assets which meet the fiduciary stand-
23 ards under part 4 and such additional requirements re-
24 garding liquidity as the applicable authority may prescribe
25 by regulation.

1 “(j) SOLVENCY STANDARDS WORKING GROUP.—

2 “(1) IN GENERAL.—Within 90 days after the
3 date of the enactment of the Small Business Health
4 Fairness Act of 2009, the applicable authority shall
5 establish a Solvency Standards Working Group. In
6 prescribing the initial regulations under this section,
7 the applicable authority shall take into account the
8 recommendations of such Working Group.

9 “(2) MEMBERSHIP.—The Working Group shall
10 consist of not more than 15 members appointed by
11 the applicable authority. The applicable authority
12 shall include among persons invited to membership
13 on the Working Group at least one of each of the
14 following:

15 “(A) a representative of the National Asso-
16 ciation of Insurance Commissioners;

17 “(B) a representative of the American
18 Academy of Actuaries;

19 “(C) a representative of the State govern-
20 ments, or their interests;

21 “(D) a representative of existing self-in-
22 sured arrangements, or their interests;

23 “(E) a representative of associations of the
24 type referred to in section 901(b)(1), or their
25 interests; and

1 “(F) a representative of multiemployer
2 plans that are group health plans, or their in-
3 terests.

4 **“SEC. 907. REQUIREMENTS FOR APPLICATION AND RE-**
5 **LATED REQUIREMENTS.**

6 “(a) FILING FEE.—Under the procedure prescribed
7 pursuant to section 902(a), an association health plan
8 shall pay to the applicable authority at the time of filing
9 an application for certification under this part a filing fee
10 in the amount of \$5,000, which shall be available in the
11 case of the Secretary, to the extent provided in appropria-
12 tion Acts, for the sole purpose of administering the certifi-
13 cation procedures applicable with respect to association
14 health plans.

15 “(b) INFORMATION TO BE INCLUDED IN APPLICA-
16 TION FOR CERTIFICATION.—An application for certifi-
17 cation under this part meets the requirements of this sec-
18 tion only if it includes, in a manner and form which shall
19 be prescribed by the applicable authority by regulation, at
20 least the following information:

21 “(1) IDENTIFYING INFORMATION.—The names
22 and addresses of—

23 “(A) the sponsor; and

24 “(B) the members of the board of trustees
25 of the plan.

1 “(2) STATES IN WHICH PLAN INTENDS TO DO
2 BUSINESS.—The States in which participants and
3 beneficiaries under the plan are to be located and
4 the number of them expected to be located in each
5 such State.

6 “(3) BONDING REQUIREMENTS.—Evidence pro-
7 vided by the board of trustees that the bonding re-
8 quirements of section 412 will be met as of the date
9 of the application or (if later) commencement of op-
10 erations.

11 “(4) PLAN DOCUMENTS.—A copy of the docu-
12 ments governing the plan (including any bylaws and
13 trust agreements), the summary plan description,
14 and other material describing the benefits that will
15 be provided to participants and beneficiaries under
16 the plan.

17 “(5) AGREEMENTS WITH SERVICE PRO-
18 VIDERS.—A copy of any agreements between the
19 plan and contract administrators and other service
20 providers.

21 “(6) FUNDING REPORT.—In the case of asso-
22 ciation health plans providing benefits options in ad-
23 dition to health insurance coverage, a report setting
24 forth information with respect to such additional
25 benefit options determined as of a date within the

1 120-day period ending with the date of the applica-
2 tion, including the following:

3 “(A) RESERVES.—A statement, certified
4 by the board of trustees of the plan, and a
5 statement of actuarial opinion, signed by a
6 qualified actuary, that all applicable require-
7 ments of section 906 are or will be met in ac-
8 cordance with regulations which the applicable
9 authority shall prescribe.

10 “(B) ADEQUACY OF CONTRIBUTION
11 RATES.—A statement of actuarial opinion,
12 signed by a qualified actuary, which sets forth
13 a description of the extent to which contribution
14 rates are adequate to provide for the payment
15 of all obligations and the maintenance of re-
16 quired reserves under the plan for the 12-
17 month period beginning with such date within
18 such 120-day period, taking into account the
19 expected coverage and experience of the plan. If
20 the contribution rates are not fully adequate,
21 the statement of actuarial opinion shall indicate
22 the extent to which the rates are inadequate
23 and the changes needed to ensure adequacy.

24 “(C) CURRENT AND PROJECTED VALUE OF
25 ASSETS AND LIABILITIES.—A statement of ac-

1 tuarial opinion signed by a qualified actuary,
2 which sets forth the current value of the assets
3 and liabilities accumulated under the plan and
4 a projection of the assets, liabilities, income,
5 and expenses of the plan for the 12-month pe-
6 riod referred to in subparagraph (B). The in-
7 come statement shall identify separately the
8 plan’s administrative expenses and claims.

9 “(D) COSTS OF COVERAGE TO BE
10 CHARGED AND OTHER EXPENSES.—A state-
11 ment of the costs of coverage to be charged, in-
12 cluding an itemization of amounts for adminis-
13 tration, reserves, and other expenses associated
14 with the operation of the plan.

15 “(E) OTHER INFORMATION.—Any other
16 information as may be determined by the appli-
17 cable authority, by regulation, as necessary to
18 carry out the purposes of this part.

19 “(c) FILING NOTICE OF CERTIFICATION WITH
20 STATES.—A certification granted under this part to an
21 association health plan shall not be effective unless written
22 notice of such certification is filed with the applicable
23 State authority of each State in which at least 25 percent
24 of the participants and beneficiaries under the plan are
25 located. For purposes of this subsection, an individual

1 shall be considered to be located in the State in which a
2 known address of such individual is located or in which
3 such individual is employed.

4 “(d) NOTICE OF MATERIAL CHANGES.—In the case
5 of any association health plan certified under this part,
6 descriptions of material changes in any information which
7 was required to be submitted with the application for the
8 certification under this part shall be filed in such form
9 and manner as shall be prescribed by the applicable au-
10 thority by regulation. The applicable authority may re-
11 quire by regulation prior notice of material changes with
12 respect to specified matters which might serve as the basis
13 for suspension or revocation of the certification.

14 “(e) REPORTING REQUIREMENTS FOR CERTAIN AS-
15 SOCIATION HEALTH PLANS.—An association health plan
16 certified under this part which provides benefit options in
17 addition to health insurance coverage for such plan year
18 shall meet the requirements of section 103 by filing an
19 annual report under such section which shall include infor-
20 mation described in subsection (b)(6) with respect to the
21 plan year and, notwithstanding section 104(a)(1)(A), shall
22 be filed with the applicable authority not later than 90
23 days after the close of the plan year (or on such later date
24 as may be prescribed by the applicable authority). The ap-

1 plicable authority may require by regulation such interim
2 reports as it considers appropriate.

3 “(f) ENGAGEMENT OF QUALIFIED ACTUARY.—The
4 board of trustees of each association health plan which
5 provides benefits options in addition to health insurance
6 coverage and which is applying for certification under this
7 part or is certified under this part shall engage, on behalf
8 of all participants and beneficiaries, a qualified actuary
9 who shall be responsible for the preparation of the mate-
10 rials comprising information necessary to be submitted by
11 a qualified actuary under this part. The qualified actuary
12 shall utilize such assumptions and techniques as are nec-
13 essary to enable such actuary to form an opinion as to
14 whether the contents of the matters reported under this
15 part—

16 “(1) are in the aggregate reasonably related to
17 the experience of the plan and to reasonable expecta-
18 tions; and

19 “(2) represent such actuary’s best estimate of
20 anticipated experience under the plan.

21 The opinion by the qualified actuary shall be made with
22 respect to, and shall be made a part of, the annual report.

1 **“SEC. 908. NOTICE REQUIREMENTS FOR VOLUNTARY TER-**
2 **MINATION.**

3 “Except as provided in section 909(b), an association
4 health plan which is or has been certified under this part
5 may terminate (upon or at any time after cessation of ac-
6 cruals in benefit liabilities) only if the board of trustees,
7 not less than 60 days before the proposed termination
8 date—

9 “(1) provides to the participants and bene-
10 ficiaries a written notice of intent to terminate stat-
11 ing that such termination is intended and the pro-
12 posed termination date;

13 “(2) develops a plan for winding up the affairs
14 of the plan in connection with such termination in
15 a manner which will result in timely payment of all
16 benefits for which the plan is obligated; and

17 “(3) submits such plan in writing to the appli-
18 cable authority.

19 Actions required under this section shall be taken in such
20 form and manner as may be prescribed by the applicable
21 authority by regulation.

22 **“SEC. 909. CORRECTIVE ACTIONS AND MANDATORY TERMI-**
23 **NATION.**

24 “(a) ACTIONS TO AVOID DEPLETION OF RE-
25 SERVES.—An association health plan which is certified
26 under this part and which provides benefits other than

1 health insurance coverage shall continue to meet the re-
2 quirements of section 906, irrespective of whether such
3 certification continues in effect. The board of trustees of
4 such plan shall determine quarterly whether the require-
5 ments of section 906 are met. In any case in which the
6 board determines that there is reason to believe that there
7 is or will be a failure to meet such requirements, or the
8 applicable authority makes such a determination and so
9 notifies the board, the board shall immediately notify the
10 qualified actuary engaged by the plan, and such actuary
11 shall, not later than the end of the next following month,
12 make such recommendations to the board for corrective
13 action as the actuary determines necessary to ensure com-
14 pliance with section 906. Not later than 30 days after re-
15 ceiving from the actuary recommendations for corrective
16 actions, the board shall notify the applicable authority (in
17 such form and manner as the applicable authority may
18 prescribe by regulation) of such recommendations of the
19 actuary for corrective action, together with a description
20 of the actions (if any) that the board has taken or plans
21 to take in response to such recommendations. The board
22 shall thereafter report to the applicable authority, in such
23 form and frequency as the applicable authority may speci-
24 fy to the board, regarding corrective action taken by the
25 board until the requirements of section 906 are met.

1 “(b) MANDATORY TERMINATION.—In any case in
2 which—

3 “(1) the applicable authority has been notified
4 under subsection (a) (or by an issuer of excess/stop
5 loss insurance or indemnity insurance pursuant to
6 section 906(a)) of a failure of an association health
7 plan which is or has been certified under this part
8 and is described in section 906(a)(2) to meet the re-
9 quirements of section 906 and has not been notified
10 by the board of trustees of the plan that corrective
11 action has restored compliance with such require-
12 ments; and

13 “(2) the applicable authority determines that
14 there is a reasonable expectation that the plan will
15 continue to fail to meet the requirements of section
16 906,

17 the board of trustees of the plan shall, at the direction
18 of the applicable authority, terminate the plan and, in the
19 course of the termination, take such actions as the appli-
20 cable authority may require, including satisfying any
21 claims referred to in section 906(a)(2)(B)(iii) and recov-
22 ering for the plan any liability under subsection
23 (a)(2)(B)(iii) or (e) of section 906, as necessary to ensure
24 that the affairs of the plan will be, to the maximum extent

1 possible, wound up in a manner which will result in timely
2 provision of all benefits for which the plan is obligated.

3 **“SEC. 910. TRUSTEESHIP BY THE SECRETARY OF INSOL-**
4 **VENT ASSOCIATION HEALTH PLANS PRO-**
5 **VIDING HEALTH BENEFITS IN ADDITION TO**
6 **HEALTH INSURANCE COVERAGE.**

7 “(a) APPOINTMENT OF SECRETARY AS TRUSTEE FOR
8 INSOLVENT PLANS.—Whenever the Secretary determines
9 that an association health plan which is or has been cer-
10 tified under this part and which is described in section
11 906(a)(2) will be unable to provide benefits when due or
12 is otherwise in a financially hazardous condition, as shall
13 be defined by the Secretary by regulation, the Secretary
14 shall, upon notice to the plan, apply to the appropriate
15 United States district court for appointment of the Sec-
16 retary as trustee to administer the plan for the duration
17 of the insolvency. The plan may appear as a party and
18 other interested persons may intervene in the proceedings
19 at the discretion of the court. The court shall appoint such
20 Secretary trustee if the court determines that the trustee-
21 ship is necessary to protect the interests of the partici-
22 pants and beneficiaries or providers of medical care or to
23 avoid any unreasonable deterioration of the financial con-
24 dition of the plan. The trusteeship of such Secretary shall
25 continue until the conditions described in the first sen-

1 tence of this subsection are remedied or the plan is termi-
2 nated.

3 “(b) POWERS AS TRUSTEE.—The Secretary, upon
4 appointment as trustee under subsection (a), shall have
5 the power—

6 “(1) to do any act authorized by the plan, this
7 title, or other applicable provisions of law to be done
8 by the plan administrator or any trustee of the plan;

9 “(2) to require the transfer of all (or any part)
10 of the assets and records of the plan to the Sec-
11 retary as trustee;

12 “(3) to invest any assets of the plan which the
13 Secretary holds in accordance with the provisions of
14 the plan, regulations prescribed by the Secretary,
15 and applicable provisions of law;

16 “(4) to require the sponsor, the plan adminis-
17 trator, any participating employer, and any employee
18 organization representing plan participants to fur-
19 nish any information with respect to the plan which
20 the Secretary as trustee may reasonably need in
21 order to administer the plan;

22 “(5) to collect for the plan any amounts due the
23 plan and to recover reasonable expenses of the trust-
24 eeship;

1 “(6) to commence, prosecute, or defend on be-
2 half of the plan any suit or proceeding involving the
3 plan;

4 “(7) to issue, publish, or file such notices, state-
5 ments, and reports as may be required by the Sec-
6 retary by regulation or required by any order of the
7 court;

8 “(8) to terminate the plan (or provide for its
9 termination in accordance with section 909(b)) and
10 liquidate the plan assets, to restore the plan to the
11 responsibility of the sponsor, or to continue the
12 trusteeship;

13 “(9) to provide for the enrollment of plan par-
14 ticipants and beneficiaries under appropriate cov-
15 erage options; and

16 “(10) to do such other acts as may be nec-
17 essary to comply with this title or any order of the
18 court and to protect the interests of plan partici-
19 pants and beneficiaries and providers of medical
20 care.

21 “(c) NOTICE OF APPOINTMENT.—As soon as prac-
22 ticable after the Secretary’s appointment as trustee, the
23 Secretary shall give notice of such appointment to—

24 “(1) the sponsor and plan administrator;

25 “(2) each participant;

1 “(3) each participating employer; and

2 “(4) if applicable, each employee organization
3 which, for purposes of collective bargaining, rep-
4 resents plan participants.

5 “(d) ADDITIONAL DUTIES.—Except to the extent in-
6 consistent with the provisions of this title, or as may be
7 otherwise ordered by the court, the Secretary, upon ap-
8 pointment as trustee under this section, shall be subject
9 to the same duties as those of a trustee under section 704
10 of title 11, United States Code, and shall have the duties
11 of a fiduciary for purposes of this title.

12 “(e) OTHER PROCEEDINGS.—An application by the
13 Secretary under this subsection may be filed notwith-
14 standing the pendency in the same or any other court of
15 any bankruptcy, mortgage foreclosure, or equity receiver-
16 ship proceeding, or any proceeding to reorganize, conserve,
17 or liquidate such plan or its property, or any proceeding
18 to enforce a lien against property of the plan.

19 “(f) JURISDICTION OF COURT.—

20 “(1) IN GENERAL.—Upon the filing of an appli-
21 cation for the appointment as trustee or the issuance
22 of a decree under this section, the court to which the
23 application is made shall have exclusive jurisdiction
24 of the plan involved and its property wherever lo-
25 cated with the powers, to the extent consistent with

1 the purposes of this section, of a court of the United
2 States having jurisdiction over cases under chapter
3 11 of title 11, United States Code. Pending an adju-
4 dication under this section such court shall stay, and
5 upon appointment by it of the Secretary as trustee,
6 such court shall continue the stay of, any pending
7 mortgage foreclosure, equity receivership, or other
8 proceeding to reorganize, conserve, or liquidate the
9 plan, the sponsor, or property of such plan or spon-
10 sor, and any other suit against any receiver, conser-
11 vator, or trustee of the plan, the sponsor, or prop-
12 erty of the plan or sponsor. Pending such adjudica-
13 tion and upon the appointment by it of the Sec-
14 retary as trustee, the court may stay any proceeding
15 to enforce a lien against property of the plan or the
16 sponsor or any other suit against the plan or the
17 sponsor.

18 “(2) VENUE.—An action under this section
19 may be brought in the judicial district where the
20 sponsor or the plan administrator resides or does
21 business or where any asset of the plan is situated.
22 A district court in which such action is brought may
23 issue process with respect to such action in any
24 other judicial district.

1 “(g) PERSONNEL.—In accordance with regulations
2 which shall be prescribed by the Secretary, the Secretary
3 shall appoint, retain, and compensate accountants, actu-
4 aries, and other professional service personnel as may be
5 necessary in connection with the Secretary’s service as
6 trustee under this section.

7 **“SEC. 911. STATE ASSESSMENT AUTHORITY.**

8 “(a) IN GENERAL.—Notwithstanding section 514, a
9 State may impose by law a contribution tax on an associa-
10 tion health plan described in section 906(a)(2), if the plan
11 commenced operations in such State after the date of the
12 enactment of the Small Business Health Fairness Act of
13 2009.

14 “(b) CONTRIBUTION TAX.—For purposes of this sec-
15 tion, the term ‘contribution tax’ imposed by a State on
16 an association health plan means any tax imposed by such
17 State if—

18 “(1) such tax is computed by applying a rate to
19 the amount of premiums or contributions, with re-
20 spect to individuals covered under the plan who are
21 residents of such State, which are received by the
22 plan from participating employers located in such
23 State or from such individuals;

24 “(2) the rate of such tax does not exceed the
25 rate of any tax imposed by such State on premiums

1 or contributions received by insurers or health main-
2 tenance organizations for health insurance coverage
3 offered in such State in connection with a group
4 health plan;

5 “(3) such tax is otherwise nondiscriminatory;
6 and

7 “(4) the amount of any such tax assessed on
8 the plan is reduced by the amount of any tax or as-
9 sessment otherwise imposed by the State on pre-
10 miums, contributions, or both received by insurers or
11 health maintenance organizations for health insur-
12 ance coverage, aggregate excess/stop loss insurance
13 (as defined in section 906(g)(1)), specific excess/stop
14 loss insurance (as defined in section 906(g)(2)),
15 other insurance related to the provision of medical
16 care under the plan, or any combination thereof pro-
17 vided by such insurers or health maintenance organi-
18 zations in such State in connection with such plan.

19 **“SEC. 912. DEFINITIONS AND RULES OF CONSTRUCTION.**

20 “(a) DEFINITIONS.—For purposes of this part—

21 “(1) GROUP HEALTH PLAN.—The term ‘group
22 health plan’ has the meaning provided in section
23 733(a)(1) (after applying subsection (b) of this sec-
24 tion).

1 “(2) MEDICAL CARE.—The term ‘medical care’
2 has the meaning provided in section 733(a)(2).

3 “(3) HEALTH INSURANCE COVERAGE.—The
4 term ‘health insurance coverage’ has the meaning
5 provided in section 733(b)(1).

6 “(4) HEALTH INSURANCE ISSUER.—The term
7 ‘health insurance issuer’ has the meaning provided
8 in section 733(b)(2).

9 “(5) APPLICABLE AUTHORITY.—The term ‘ap-
10 pplicable authority’ means the Secretary, except that,
11 in connection with any exercise of the Secretary’s
12 authority regarding which the Secretary is required
13 under section 506(d) to consult with a State, such
14 term means the Secretary, in consultation with such
15 State.

16 “(6) HEALTH STATUS-RELATED FACTOR.—The
17 term ‘health status-related factor’ has the meaning
18 provided in section 733(d)(2).

19 “(7) INDIVIDUAL MARKET.—

20 “(A) IN GENERAL.—The term ‘individual
21 market’ means the market for health insurance
22 coverage offered to individuals other than in
23 connection with a group health plan.

24 “(B) TREATMENT OF VERY SMALL
25 GROUPS.—

1 “(i) IN GENERAL.—Subject to clause
2 (ii), such term includes coverage offered in
3 connection with a group health plan that
4 has fewer than 2 participants as current
5 employees or participants described in sec-
6 tion 732(d)(3) on the first day of the plan
7 year.

8 “(ii) STATE EXCEPTION.—Clause (i)
9 shall not apply in the case of health insur-
10 ance coverage offered in a State if such
11 State regulates the coverage described in
12 such clause in the same manner and to the
13 same extent as coverage in the small group
14 market (as defined in section 2791(e)(5) of
15 the Public Health Service Act) is regulated
16 by such State.

17 “(8) PARTICIPATING EMPLOYER.—The term
18 ‘participating employer’ means, in connection with
19 an association health plan, any employer, if any indi-
20 vidual who is an employee of such employer, a part-
21 ner in such employer, or a self-employed individual
22 who is such employer (or any dependent, as defined
23 under the terms of the plan, of such individual) is
24 or was covered under such plan in connection with
25 the status of such individual as such an employee,

1 partner, or self-employed individual in relation to the
2 plan.

3 “(9) APPLICABLE STATE AUTHORITY.—The
4 term ‘applicable State authority’ means, with respect
5 to a health insurance issuer in a State, the State in-
6 surance commissioner or official or officials des-
7 ignated by the State to enforce the requirements of
8 title XXVII of the Public Health Service Act for the
9 State involved with respect to such issuer.

10 “(10) QUALIFIED ACTUARY.—The term ‘quali-
11 fied actuary’ means an individual who is a member
12 of the American Academy of Actuaries.

13 “(11) AFFILIATED MEMBER.—The term ‘affili-
14 ated member’ means, in connection with a sponsor—

15 “(A) a person who is otherwise eligible to
16 be a member of the sponsor but who elects an
17 affiliated status with the sponsor,

18 “(B) in the case of a sponsor with mem-
19 bers which consist of associations, a person who
20 is a member of any such association and elects
21 an affiliated status with the sponsor, or

22 “(C) in the case of an association health
23 plan in existence on the date of the enactment
24 of the Small Business Health Fairness Act of

1 2009, a person eligible to be a member of the
2 sponsor or one of its member associations.

3 “(12) LARGE EMPLOYER.—The term ‘large em-
4 ployer’ means, in connection with a group health
5 plan with respect to a plan year, an employer who
6 employed an average of at least 51 employees on
7 business days during the preceding calendar year
8 and who employs at least 2 employees on the first
9 day of the plan year.

10 “(13) SMALL EMPLOYER.—The term ‘small em-
11 ployer’ means, in connection with a group health
12 plan with respect to a plan year, an employer who
13 is not a large employer.

14 “(b) RULES OF CONSTRUCTION.—

15 “(1) EMPLOYERS AND EMPLOYEES.—For pur-
16 poses of determining whether a plan, fund, or pro-
17 gram is an employee welfare benefit plan which is an
18 association health plan, and for purposes of applying
19 this title in connection with such plan, fund, or pro-
20 gram so determined to be such an employee welfare
21 benefit plan—

22 “(A) in the case of a partnership, the term
23 ‘employer’ (as defined in section 3(5)) includes
24 the partnership in relation to the partners, and
25 the term ‘employee’ (as defined in section 3(6))

1 includes any partner in relation to the partner-
2 ship; and

3 “(B) in the case of a self-employed indi-
4 vidual, the term ‘employer’ (as defined in sec-
5 tion 3(5)) and the term ‘employee’ (as defined
6 in section 3(6)) shall include such individual.

7 “(2) PLANS, FUNDS, AND PROGRAMS TREATED
8 AS EMPLOYEE WELFARE BENEFIT PLANS.—In the
9 case of any plan, fund, or program which was estab-
10 lished or is maintained for the purpose of providing
11 medical care (through the purchase of insurance or
12 otherwise) for employees (or their dependents) cov-
13 ered thereunder and which demonstrates to the Sec-
14 retary that all requirements for certification under
15 this part would be met with respect to such plan,
16 fund, or program if such plan, fund, or program
17 were a group health plan, such plan, fund, or pro-
18 gram shall be treated for purposes of this title as an
19 employee welfare benefit plan on and after the date
20 of such demonstration.”.

21 (b) CONFORMING AMENDMENTS TO PREEMPTION
22 RULES.—

23 (1) Section 514(b)(6) of such Act (29 U.S.C.
24 1144(b)(6)) is amended by adding at the end the
25 following new subparagraph:

1 “(E) The preceding subparagraphs of this paragraph
2 do not apply with respect to any State law in the case
3 of an association health plan which is certified under part
4 9.”.

5 (2) Section 514 of such Act (29 U.S.C. 1144)
6 is amended—

7 (A) in subsection (b)(4), by striking “Sub-
8 section (a)” and inserting “Subsections (a) and
9 (d)”;

10 (B) in subsection (b)(5), by striking “sub-
11 section (a)” in subparagraph (A) and inserting
12 “subsection (a) of this section and subsections
13 (a)(2)(B) and (b) of section 905”, and by strik-
14 ing “subsection (a)” in subparagraph (B) and
15 inserting “subsection (a) of this section or sub-
16 section (a)(2)(B) or (b) of section 905”; and

17 (C) by adding at the end the following new
18 subsection:

19 “(f)(1) Except as provided in subsection (b)(4), the
20 provisions of this title shall supersede any and all State
21 laws insofar as they may now or hereafter preclude, or
22 have the effect of precluding, a health insurance issuer
23 from offering health insurance coverage in connection with
24 an association health plan which is certified under part
25 9.

1 “(2) Except as provided in paragraphs (4) and (5)
2 of subsection (b) of this section—

3 “(A) In any case in which health insurance cov-
4 erage of any policy type is offered under an associa-
5 tion health plan certified under part 9 to a partici-
6 pating employer operating in such State, the provi-
7 sions of this title shall supersede any and all laws
8 of such State insofar as they may preclude a health
9 insurance issuer from offering health insurance cov-
10 erage of the same policy type to other employers op-
11 erating in the State which are eligible for coverage
12 under such association health plan, whether or not
13 such other employers are participating employers in
14 such plan.

15 “(B) In any case in which health insurance cov-
16 erage of any policy type is offered in a State under
17 an association health plan certified under part 9 and
18 the filing, with the applicable State authority (as de-
19 fined in section 912(a)(9)), of the policy form in
20 connection with such policy type is approved by such
21 State authority, the provisions of this title shall su-
22 persede any and all laws of any other State in which
23 health insurance coverage of such type is offered, in-
24 sofar as they may preclude, upon the filing in the
25 same form and manner of such policy form with the

1 applicable State authority in such other State, the
2 approval of the filing in such other State.

3 “(3) Nothing in subsection (b)(6)(E) or the preceding
4 provisions of this subsection shall be construed, with re-
5 spect to health insurance issuers or health insurance cov-
6 erage, to supersede or impair the law of any State—

7 “(A) providing solvency standards or similar
8 standards regarding the adequacy of insurer capital,
9 surplus, reserves, or contributions, or

10 “(B) relating to prompt payment of claims.

11 “(4) For additional provisions relating to association
12 health plans, see subsections (a)(2)(B) and (b) of section
13 905.

14 “(5) For purposes of this subsection, the term ‘asso-
15 ciation health plan’ has the meaning provided in section
16 901(a), and the terms ‘health insurance coverage’, ‘par-
17 ticipating employer’, and ‘health insurance issuer’ have
18 the meanings provided such terms in section 912, respec-
19 tively.”.

20 (3) Section 514(b)(6)(A) of such Act (29
21 U.S.C. 1144(b)(6)(A)) is amended—

22 (A) in clause (i)(II), by striking “and” at
23 the end;

24 (B) in clause (ii), by inserting “and which
25 does not provide medical care (within the mean-

1 ing of section 733(a)(2)),” after “arrange-
2 ment,”, and by striking “title.” and inserting
3 “title, and”; and

4 (C) by adding at the end the following new
5 clause:

6 “(iii) subject to subparagraph (E), in the case
7 of any other employee welfare benefit plan which is
8 a multiple employer welfare arrangement and which
9 provides medical care (within the meaning of section
10 733(a)(2)), any law of any State which regulates in-
11 surance may apply.”.

12 (4) Section 514(d) of such Act (29 U.S.C.
13 1144(d)) is amended—

14 (A) by striking “Nothing” and inserting
15 “(1) Except as provided in paragraph (2), noth-
16 ing”; and

17 (B) by adding at the end the following new
18 paragraph:

19 “(2) Nothing in any other provision of law enacted
20 on or after the date of the enactment of the Small Busi-
21 ness Health Fairness Act of 2009 shall be construed to
22 alter, amend, modify, invalidate, impair, or supersede any
23 provision of this title, except by specific cross-reference to
24 the affected section.”.

1 (c) PLAN SPONSOR.—Section 3(16)(B) of such Act
2 (29 U.S.C. 102(16)(B)) is amended by adding at the end
3 the following new sentence: “Such term also includes a
4 person serving as the sponsor of an association health plan
5 under part 9.”.

6 (d) DISCLOSURE OF SOLVENCY PROTECTIONS RE-
7 LATED TO SELF-INSURED AND FULLY INSURED OPTIONS
8 UNDER ASSOCIATION HEALTH PLANS.—Section 102(b)
9 of such Act (29 U.S.C. 102(b)) is amended by adding at
10 the end the following: “An association health plan shall
11 include in its summary plan description, in connection
12 with each benefit option, a description of the form of sol-
13 vency or guarantee fund protection secured pursuant to
14 this Act or applicable State law, if any.”.

15 (e) SAVINGS CLAUSE.—Section 731(c) of such Act is
16 amended by inserting “or part 9” after “this part”.

17 (f) REPORT TO THE CONGRESS REGARDING CERTIFI-
18 CATION OF SELF-INSURED ASSOCIATION HEALTH
19 PLANS.—Not later than January 1, 2012, the Secretary
20 of Labor shall report to the Committee on Education and
21 the Workforce of the House of Representatives and the
22 Committee on Health, Education, Labor, and Pensions of
23 the Senate the effect association health plans have had,
24 if any, on reducing the number of uninsured individuals.

1 (g) CLERICAL AMENDMENT.—The table of contents
2 in section 1 of the Employee Retirement Income Security
3 Act of 1974 is amended by inserting after the item relat-
4 ing to section 734 the following new items:

“PART 9—RULES GOVERNING ASSOCIATION HEALTH PLANS

“Sec. 901. Association health plans.

“Sec. 902. Certification of association health plans.

“Sec. 903. Requirements relating to sponsors and boards of trustees.

“Sec. 904. Participation and coverage requirements.

“Sec. 905. Other requirements relating to plan documents, contribution rates,
and benefit options.

“Sec. 906. Maintenance of reserves and provisions for solvency for plans pro-
viding health benefits in addition to health insurance coverage.

“Sec. 907. Requirements for application and related requirements.

“Sec. 908. Notice requirements for voluntary termination.

“Sec. 909. Corrective actions and mandatory termination.

“Sec. 910. Trusteeship by the Secretary of insolvent association health plans
providing health benefits in addition to health insurance cov-
erage.

“Sec. 911. State assessment authority.

“Sec. 912. Definitions and rules of construction.”.

5 **SEC. 603. CLARIFICATION OF TREATMENT OF SINGLE EM-**
6 **PLOYER ARRANGEMENTS.**

7 Section 3(40)(B) of the Employee Retirement Income
8 Security Act of 1974 (29 U.S.C. 1002(40)(B)) is amend-
9 ed—

10 (1) in clause (i), by inserting after “control
11 group,” the following: “except that, in any case in
12 which the benefit referred to in subparagraph (A)
13 consists of medical care (as defined in section
14 912(a)(2)), two or more trades or businesses, wheth-
15 er or not incorporated, shall be deemed a single em-
16 ployer for any plan year of such plan, or any fiscal
17 year of such other arrangement, if such trades or

1 businesses are within the same control group during
2 such year or at any time during the preceding 1-year
3 period,”;

4 (2) in clause (iii), by striking “(iii) the deter-
5 mination” and inserting the following:

6 “(iii)(I) in any case in which the benefit re-
7 ferred to in subparagraph (A) consists of medical
8 care (as defined in section 912(a)(2)), the deter-
9 mination of whether a trade or business is under
10 ‘common control’ with another trade or business
11 shall be determined under regulations of the Sec-
12 retary applying principles consistent and coextensive
13 with the principles applied in determining whether
14 employees of two or more trades or businesses are
15 treated as employed by a single employer under sec-
16 tion 4001(b), except that, for purposes of this para-
17 graph, an interest of greater than 25 percent may
18 not be required as the minimum interest necessary
19 for common control, or

20 “(II) in any other case, the determination”;

21 (3) by redesignating clauses (iv) and (v) as
22 clauses (v) and (vi), respectively; and

23 (4) by inserting after clause (iii) the following
24 new clause:

1 “(iv) in any case in which the benefit referred
2 to in subparagraph (A) consists of medical care (as
3 defined in section 912(a)(2)), in determining, after
4 the application of clause (i), whether benefits are
5 provided to employees of two or more employers, the
6 arrangement shall be treated as having only one par-
7 ticipating employer if, after the application of clause
8 (i), the number of individuals who are employees and
9 former employees of any one participating employer
10 and who are covered under the arrangement is
11 greater than 75 percent of the aggregate number of
12 all individuals who are employees or former employ-
13 ees of participating employers and who are covered
14 under the arrangement.”.

15 **SEC. 604. ENFORCEMENT PROVISIONS RELATING TO ASSO-**
16 **CIATION HEALTH PLANS.**

17 (a) **CRIMINAL PENALTIES FOR CERTAIN WILLFUL**
18 **MISREPRESENTATIONS.**—Section 501 of the Employee
19 Retirement Income Security Act of 1974 (29 U.S.C. 1131)
20 is amended—

21 (1) by inserting “(a)” after “Sec. 501.”; and

22 (2) by adding at the end the following new sub-
23 section:

24 “(b) Any person who willfully falsely represents, to
25 any employee, any employee’s beneficiary, any employer,

1 the Secretary, or any State, a plan or other arrangement
2 established or maintained for the purpose of offering or
3 providing any benefit described in section 3(1) to employ-
4 ees or their beneficiaries as—

5 “(1) being an association health plan which has
6 been certified under part 9;

7 “(2) having been established or maintained
8 under or pursuant to one or more collective bar-
9 gaining agreements which are reached pursuant to
10 collective bargaining described in section 8(d) of the
11 National Labor Relations Act (29 U.S.C. 158(d)) or
12 paragraph Fourth of section 2 of the Railway Labor
13 Act (45 U.S.C. 152, paragraph Fourth) or which are
14 reached pursuant to labor-management negotiations
15 under similar provisions of State public employee re-
16 lations laws; or

17 “(3) being a plan or arrangement described in
18 section 3(40)(A)(i),

19 shall, upon conviction, be imprisoned not more than 5
20 years, be fined under title 18, United States Code, or
21 both.”.

22 (b) CEASE ACTIVITIES ORDERS.—Section 502 of
23 such Act (29 U.S.C. 1132) is amended by adding at the
24 end the following new subsection:

1 “(n) ASSOCIATION HEALTH PLAN CEASE AND DE-
2 SIST ORDERS.—

3 “(1) IN GENERAL.—Subject to paragraph (2),
4 upon application by the Secretary showing the oper-
5 ation, promotion, or marketing of an association
6 health plan (or similar arrangement providing bene-
7 fits consisting of medical care (as defined in section
8 733(a)(2))) that—

9 “(A) is not certified under part 9, is sub-
10 ject under section 514(b)(6) to the insurance
11 laws of any State in which the plan or arrange-
12 ment offers or provides benefits, and is not li-
13 censed, registered, or otherwise approved under
14 the insurance laws of such State; or

15 “(B) is an association health plan certified
16 under part 9 and is not operating in accordance
17 with the requirements under part 9 for such
18 certification,

19 a district court of the United States shall enter an
20 order requiring that the plan or arrangement cease
21 activities.

22 “(2) EXCEPTION.—Paragraph (1) shall not
23 apply in the case of an association health plan or
24 other arrangement if the plan or arrangement shows
25 that—

1 “(A) all benefits under it referred to in
2 paragraph (1) consist of health insurance cov-
3 erage; and

4 “(B) with respect to each State in which
5 the plan or arrangement offers or provides ben-
6 efits, the plan or arrangement is operating in
7 accordance with applicable State laws that are
8 not superseded under section 514.

9 “(3) **ADDITIONAL EQUITABLE RELIEF.**—The
10 court may grant such additional equitable relief, in-
11 cluding any relief available under this title, as it
12 deems necessary to protect the interests of the pub-
13 lic and of persons having claims for benefits against
14 the plan.”.

15 (c) **RESPONSIBILITY FOR CLAIMS PROCEDURE.**—
16 Section 503 of such Act (29 U.S.C. 1133) is amended by
17 inserting “(a) **IN GENERAL.**—” before “In accordance”,
18 and by adding at the end the following new subsection:

19 “(b) **ASSOCIATION HEALTH PLANS.**—The terms of
20 each association health plan which is or has been certified
21 under part 9 shall require the board of trustees or the
22 named fiduciary (as applicable) to ensure that the require-
23 ments of this section are met in connection with claims
24 filed under the plan.”.

1 **SEC. 605. COOPERATION BETWEEN FEDERAL AND STATE**
2 **AUTHORITIES.**

3 Section 506 of the Employee Retirement Income Se-
4 curity Act of 1974 (29 U.S.C. 1136) is amended by adding
5 at the end the following new subsection:

6 “(d) CONSULTATION WITH STATES WITH RESPECT
7 TO ASSOCIATION HEALTH PLANS.—

8 “(1) AGREEMENTS WITH STATES.—The Sec-
9 retary shall consult with the State recognized under
10 paragraph (2) with respect to an association health
11 plan regarding the exercise of—

12 “(A) the Secretary’s authority under sec-
13 tions 502 and 504 to enforce the requirements
14 for certification under part 9; and

15 “(B) the Secretary’s authority to certify
16 association health plans under part 9 in accord-
17 ance with regulations of the Secretary applica-
18 ble to certification under part 9.

19 “(2) RECOGNITION OF PRIMARY DOMICILE
20 STATE.—In carrying out paragraph (1), the Sec-
21 retary shall ensure that only one State will be recog-
22 nized, with respect to any particular association
23 health plan, as the State with which consultation is
24 required. In carrying out this paragraph—

25 “(A) in the case of a plan which provides
26 health insurance coverage (as defined in section

1 912(a)(3)), such State shall be the State with
2 which filing and approval of a policy type of-
3 fered by the plan was initially obtained, and

4 “(B) in any other case, the Secretary shall
5 take into account the places of residence of the
6 participants and beneficiaries under the plan
7 and the State in which the trust is main-
8 tained.”.

9 **SEC. 606. EFFECTIVE DATE AND TRANSITIONAL AND**
10 **OTHER RULES.**

11 (a) **EFFECTIVE DATE.**—The amendments made by
12 this title shall take effect 1 year after the date of the en-
13 actment of this Act. The Secretary of Labor shall first
14 issue all regulations necessary to carry out the amend-
15 ments made by this title within 1 year after the date of
16 the enactment of this Act.

17 (b) **TREATMENT OF CERTAIN EXISTING HEALTH**
18 **BENEFITS PROGRAMS.**—

19 (1) **IN GENERAL.**—In any case in which, as of
20 the date of the enactment of this Act, an arrange-
21 ment is maintained in a State for the purpose of
22 providing benefits consisting of medical care for the
23 employees and beneficiaries of its participating em-
24 ployers, at least 200 participating employers make
25 contributions to such arrangement, such arrange-

1 ment has been in existence for at least 10 years, and
2 such arrangement is licensed under the laws of one
3 or more States to provide such benefits to its par-
4 ticipating employers, upon the filing with the appli-
5 cable authority (as defined in section 912(a)(5) of
6 the Employee Retirement Income Security Act of
7 1974 (as amended by this subtitle)) by the arrange-
8 ment of an application for certification of the ar-
9 rangement under part 9 of subtitle B of title I of
10 such Act—

11 (A) such arrangement shall be deemed to
12 be a group health plan for purposes of title I
13 of such Act;

14 (B) the requirements of sections 901(a)
15 and 903(a) of the Employee Retirement Income
16 Security Act of 1974 shall be deemed met with
17 respect to such arrangement;

18 (C) the requirements of section 903(b) of
19 such Act shall be deemed met, if the arrange-
20 ment is operated by a board of directors
21 which—

22 (i) is elected by the participating em-
23 ployers, with each employer having one
24 vote; and

1 (ii) has complete fiscal control over
2 the arrangement and which is responsible
3 for all operations of the arrangement;

4 (D) the requirements of section 904(a) of
5 such Act shall be deemed met with respect to
6 such arrangement; and

7 (E) the arrangement may be certified by
8 any applicable authority with respect to its op-
9 erations in any State only if it operates in such
10 State on the date of certification.

11 The provisions of this subsection shall cease to apply
12 with respect to any such arrangement at such time
13 after the date of the enactment of this Act as the
14 applicable requirements of this subsection are not
15 met with respect to such arrangement.

16 (2) DEFINITIONS.—For purposes of this sub-
17 section, the terms “group health plan”, “medical
18 care”, and “participating employer” shall have the
19 meanings provided in section 912 of the Employee
20 Retirement Income Security Act of 1974, except
21 that the reference in paragraph (7) of such section
22 to an “association health plan” shall be deemed a
23 reference to an arrangement referred to in this sub-
24 section.

