

April 30, 1976

Dear \_\_\_\_\_ :

This is in reply to your letter dated October 7, 1975, requesting an interpretive letter stating whether a "Group Medical Coverage Agreement" between Group Health Cooperative of \_\_\_\_\_ (Group Health) and an employer or employee organization under which Group Health agrees to provide specified medical services to employees or members and their dependents constitutes a welfare benefit plan, "the benefits of which are provided exclusively through insurance contracts or policies issued by an insurance company or similar organization which is qualified to do business in any State" within the meaning of section 2520.104-20 of the regulation issued by the Department of Labor on August 15, 1975. The basic question appears to be whether Group Health is an "insurance or similar organization which is qualified to do business in any State".

According to your letter, Group Health is a non-profit corporation organized for the purpose of providing prepaid comprehensive medical care for its subscribers and is extensively regulated by the Insurance Commissioner of the State of \_\_\_\_\_. Prior to September 8, 1975, when additional legislation was passed, Group Health was registered with the Insurance Commissioner of the State of \_\_\_\_\_ as a health care contractor. It will apply to the Insurance Commissioner for registration as a health maintenance organization as soon as procedures are developed by the Commissioner. Group Health operates nine clinics and has contracts with individual subscribers, group subscribers such as employers, unions, etc. and group conversion subscribers. Group medical coverage agreements like that used by Group Health are considered to be a form of insurance contract under [state] law. You cite two decisions by the [state] Supreme Court to substantiate this.

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Based on the information in your letter we concur that Group Health, registered with and supervised by the Insurance Commissioner of the State of \_\_\_\_\_, is an organization similar to an insurance company. Employee welfare benefit plans that enter into contracts with Group Health to provide medical services to employees or members of unions and their dependents may qualify for the limited exemptions granted in section 2520.104-20 of the regulation issued August 15, 1975, provided they meet all other requirements.

Sincerely,