HB

12

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Spon. Sub.
BILL NO. HB 12

Revision Date: _____
Title: Health Insurance for Small Employers
Sponsor: Reps. B.Davis, Ulmer, Nordlund, Brice
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: Insurance
Component: Operations
COMPONENT SERIAL NO. 354

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	0	0	0	0	0	0
FUNDING:						
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0
POSITIONS:						
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary)

No fiscal impact.

Prepared by: Joan Brown, Administrative Officer
Division: Insurance
Phone: 465-2597
Date: March 1, 1993

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development
Date: _____

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Rev 11/92
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Ø Fiscal Note - CED - Insurance

HOUSE COMMITTEE REPORT

(9)

Date Referred: February 18, 1993 FURTHER REFERRALS: Labor & Commerce
Judiciary

Date of Committee Action: 3-24-93

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: SSHB 12

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 12GROUP HEALTH INS. FOR SMALL EMPLOYERS

"An Act relating to health insurance for small employers; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title
be replaced with _____ [ ] a new title
[ ] have attached amendments(s)
[X] do pass
[ ] do not pass
[ ] no recommendations
[ ] individual recommendations
[ ] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Dept/Date)

[ ] fiscal impact _____ [ ] fiscal note(s) _____

[X] zero fiscal note CED [ ] zero fiscal note(s) _____

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*DNP*	*NR*	*AM*
			X		
				✓	
Betty Davis	✓			✓	
Trent Nicholas	✓				
Tom Brice	✓				

CHAIRMAN'S SIGNATURE

HIAA

Health Insurance Association of America

March 24, 1993

The Honorable Cynthia Toohey
Cochairperson, House HESS Committee
Alaska State House of Representatives
Juneau, Alaska 99811

Re: SSHB 12

Dear Representative Toohey:

Thank you for taking time to discuss with me the small employer health insurance reforms contained in SSHB12. As we discussed, it is not possible to determine what the premium will be for the standard or basic plans in Alaska, until the Health Benefits Committee, as established by SSHB12, recommends the benefits to the Alaska Small Employer Reinsurance Association.

However, to give you a frame of reference as to what other states' standard and basic plans include, and what **one** insurance carrier charges in **another** state, I asked an HIAA member company to price a specific example: a five employee group, comprised of 3 males and two females all age 40 with employee coverage only (no dependents) for the **average** geographic rate in Florida. The premiums for this example were $84/month/employee for the basic plan and $145/month/employee for the standard plan.

These rates are not be reflective for Alaska as the rates will vary by: the type of benefits determined by the Alaska Health Benefits Committee and Alaska Reinsurance Association, by carrier, by age, gender, family composition, industry, the geographic region within the state and for the difference in health care provider costs. Each carrier will set its own premium rates for the benefits determined for the basic and standard plans, therefore, any given carrier may be above or below other carrier's rates for the same type of coverage.

Attached is a copy of the Florida basic and standard plans for both indemnity carriers and HMOs. If I can be of any additional assistance in answering your or the committee members' questions about the small employer health market reforms, please do not hesitate to contact me.

Sincerely,

Jan Andrea Meisels

Jan Andrea Meisels
Legislative Director

JAM/bhs
attachment

22144 Clarendon Street Suite 220 Woodland Hills, CA 91367-6324 818/704-9274 Telecopier 818/704-1053

FLORIDA SMALL GROUP INDEMNITY DESIGNS

	STANDARD PLAN	BASIC PLAN
Maternity Services	Same as Any Other Illness, (80/20)	Same as Any Other Illness, (60/40)
Infertility and Sterilization Services	Not Covered	Not Covered
Prescription Drugs	80/20 Coinsurance	Not Covered
Maximum Copay Out-of-Pocket Limit	$2,000 Per Person With a Two Person Limit	$4,800 Per Person With a Two Person Limit
Annual Deductible	$500 Per Person	$250 Per Person
Maximum Annual Limit	3 Person Limit	3 Person Limit
Annual Calendar Year Maximum Benefit	N/A	$50,000
Lifetime Policy Maximum	$1,000,000	N/A

FLORIDA SMALL GROUP INDEMNITY DESIGNS

	STANDARD PLAN	BASIC PLAN
Physician Services		
-Primary Care Physician Office Visits -Specialist Consultation, Diagnosis, and Treatment -Other Outpatient Nonsurgical Physician Care -Periodic Physical Exams (Maximum 1/CY) -Surgical Care in Physician's Office (Carriers may limit non-surgical back treatments to ten visits)	80/20 Coinsurance	60/40 Coinsurance - However, first $150 in physician office services, (including lab tests) will be paid without coinsurance or deductible application.
Hospital Services		
-Emergency Care through Primary Care Physician's Office	80/20 Coinsurance	60/40 Coinsurance
-Emergency Care Services through Emergency Room Hospital ER visit (waived if admitted or if other safe and adequate care is not available)	$25 Copay Per Visit	$25 Copay Per Visit
Ancillary Services		
-Home Health Care	80/20 Coinsurance	Not Covered
-Ambulance	80/20 Coinsurance	60/40 Coinsurance
-Skilled Nursing Facility (Maximum 100 days lifetime)	80/20 Coinsurance	Not Covered
-Durable Medical Equipment	80/20 Coinsurance	60/40 Coinsurance - (These services may be included in case management)
Mental and Nervous Disorders		
-Inpatient	80/20 Coinsurance	60/40 Coinsurance
Annual Maximum Inpatient Benefit	$5,000	$500
-Outpatient Visit	80/20 Coinsurance With a Maximum Allowable Charge of $50	60/40 Coinsurance With a Maximum Charge of $50
Maximum Number of Outpatient Visits	20 Visits/CY	5 Visits/CY
-Lifetime Maximum	$20,000	
Alcoholism and Chemical Dependency		
-Inpatient Detoxification (as medically appropriate)	Not Covered	Not Covered
-Outpatient Visits	Not Covered	Not Covered

FLORIDA SMALL GROUP HMO PLAN DESIGNS

	STANDARD PLAN	BASIC PLAN
Maternity Services	Same as Any Other Illness	Same as Any Other Illness
Infertility and Sterilization Services	Not Covered	Not Covered
Prescription Drugs	$ 7 Copay for Generic Drugs/ $14 Copay for Brand Name Drugs	Not Covered
Maximum Copay Out-of-Pocket Limit	200% of the Total Annual Premium	200% of the Total Annual Premium

FLORIDA SMALL GROUP HMO PLAN DESIGNS

	STANDARD PLAN	BASIC PLAN
Physician Services		
(All must be provided by or authorized by Primary Care Physician)		
-Primary Care Physician Office Visits	$ 10 Copay Per Visit	$ 10 Copay Per Visit
-Specialist Consultation, Diagnosis, and Treatment	$ 10 Copay Per Visit	$ 20 Copay Per Visit
-Other Outpatient Nonsurgical Physician Care	$ 10 Copay Per Visit	$ 20 Copay Per Visit
-Periodic Physical Exams (Maximum 1/CY)	No Charge	No Charge
-Surgical Care in Physician's Office	$ 25 Copay Per Procedure	$ 50 Copay Per Procedure
(Carriers may limit non-surgical back treatments to ten visits)		
Hospital Services		
-Inpatient Care at Participating Hospitals	$100 Per Day, days 1-5	$250 Per Day, days 1-5
(including all general services and semi-private room)	Balance Paid at 100%	Balance Paid at 100%
-Outpatient Surgical Care	$ 50 Copay Per Procedure	$100 Copay Per Procedure
-Outpatient Non-Surgical Care (including x-ray and lab)	Covered in Full	Covered in Full
-Preadmission Testing	Covered in Full	Covered in Full
Emergency Services		
-Emergency Care through Primary Care Physician's Office	$ 10 Copay Per Visit	$ 10 Copay Per Visit
-Emergency Care Services through Emergency Room		
In Service Area Hospital ER Visit (waived if admitted)	$ 25 Copay Per Visit	$ 50 Copay Per Visit
Out of Service Area Hospital ER Visit	$ 50 Copay Per Visit	$100 Copay Per Visit
Ancillary Services		
-Home Health Care	$ 10 Copay Per Visit	Not Covered
-Ambulance	$ 25 Copay	$ 25 Copay
-Skilled Nursing Facility (Maximum 100 days lifetime)	$ 20 Copay Per Day	Not Covered
-Durable Medical Equipment	No Charge	No Charge
Mental and Nervous Disorders		
-Inpatient (Maximum 10 days/CY)	$100 Per Day	$250 Per Day
Maximum Inpatient Days Covered	10 Days/CY	3 Days/CY
-Outpatient Visit	$ 10 Copay Per Visit	$ 20 Copay Per Visit
Maximum Number of Outpatient Visits	20 Visits/CY	5 Visits/CY
Alcoholism and Chemical Dependency		
-Inpatient Detoxification (as medically appropriate)	Not Covered	Not Covered
-Outpatient Visits	Not Covered	Not Covered

HIAA

Health Insurance Association of America

STATEMENT OF HIAA

ON

SMALL GROUP MARKET REFORM

HOUSE BILL 12

PRESENTED BY

JAN ANDREA MEISELS

LEGISLATIVE DIRECTOR

BEFORE THE

ALASKA HOUSE COMMITTEE ON HEALTH, EDUCATION AND SOCIAL SERVICES

March 23, 1993

2144 Clarendon Street, Suite 220
Woodland Hills, CA 91367-6324
818-704-9274

ON

SMALL GROUP MARKET REFORM

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March 23, 1993

I am Jan Andrea Meisels, Legislative Director, Health Insurance Association of America. HIAA is a trade association of the nation's leading commercial insurance carriers that provide health insurance for approximately 95 million Americans. HIAA actively supports HB-12.

The small employer market provides one of the most vivid examples of how health care cost inflation continues to afflict our financing system. Faced with unrelenting demands to hold health care costs down, insurers and employers have intensified the search for ways to moderate premium increases. Leaving high-risk individuals out of group coverage has been one such response. The "excessive employer churning" that newspaper accounts often bring to our attention is largely a function of employers seeking the lowest available rate. We, too, constantly hear the charge by small employers that the presence of a high-risk individual in their group has made it impossible to obtain coverage at any price.

This dynamic is complicated further by the tumultuous labor market of a small employer. Small employers are far more likely than larger organizations to go in and out of business. Our own annual employer survey suggests that employees of small firms also are more likely to change jobs. Employee turnover among small, insured firms is about 23 percent annually and is twice that level for small employers without coverage. These factors contribute to the reluctance of such employers to offer coverage as well as the difficulties of serving the market.

As the complexities of the small employer market have grown, and the likelihood of individuals' being separated from the

financing system has increased, there is a growing perception that even if they have coverage, they stand a reasonable chance of losing it if they change employers, or if they have poor claims experience.

Madame Chairperson and members of the committee, we have now reached the point where substantial small employer market changes are needed if we are to serve the longer-term interests of small employers and meet the concerns of policymakers. Thus far 24 other states have enacted small group market reform which includes similar reforms as reflected in HB-12. HB-12 incorporates a comprehensive set of small group market reforms that HIAA believes can be achieved in the context of a viable private marketplace. The essence of HB-12 is to make certain changes in the market so that it provides substantially more predictability and protection to the purchasers of coverage. Let me emphasize that to work, these changes will have to apply to all players in the small employer market -- insurance companies, medical service plans, multiple employer welfare associations, etc. All competing entities in the small employer market, including non-insured benefit plans, would have to be bound by the same rules in order to prevent any company or segment of the market from being placed at a disadvantage. The reforms included in SB 40 ensures fair access to and continuity of coverage for small employers and their employees. The issues embraced in HB-12 are:

guaranteed availability -- all small employer groups would be able to obtain private health insurance regardless of the health risk they present.

coverage of whole groups -- coverage would be made available to entire employer groups; neither an employer nor an insurer would be able to exclude from the group's coverage individuals who present high medical risks.

renewability of coverage -- at renewal time, employer groups and/or individuals in these groups would be assured that their coverage would not be canceled because of deteriorating health.

continuity of coverage -- once a person is covered in the small employer market and satisfied a plan's preexisting condition restrictions, he or she would not have to meet those requirements again when changing jobs or when the employer changes carriers.

premium pricing limits -- insurance carriers would be required to limit how much their rates could vary for groups similar in geography, demographic composition and plan design.

To give effect to these proposals, HB-12 authorizes a private not-for-profit Small Employer Health Reinsurance Association. Without the Reinsurance Association these reforms are not achievable. The Reinsurance Association allows insurers to pay a premium in exchange for having the reinsurer bear the risk for reinsured individuals. This allows insurers to treat all individuals in a group the same way -- as HB-12 does not break up groups for the purpose of reinsurance -- all members would have the same benefits. The reinsurer stands behind the insurer and simply reimburses for claims associated with reinsured

individuals. This allows insurers to spread high risks, broadly through the private market rather than concentrated in one small employer group.

Besides the small group market reforms discussed above, one of the most effective means to obtain cost control is to improve our health delivery and financing system through effective managed care programs. Managed care has proved it can control costs. A growing number of studies from the seminal Rand Study of HMOs in the mid 1970's to the recent Laventhol and Horwath study which assessed the cost savings of managed care in the CHAMPUS Reform Initiative (savings to both the Defense Department and CHAMPUS beneficiaries of $148.9 million in 1988 and 1989). For these and other reasons cost containment provisions including aspects of managed care maybe incorporated into the small employer health plans developed by the Small Employer Health Reinsurance Board. Small employers are also the affected party when various legislators mandate their plans include specific providers or services. The cumulative effect of the various mandated benefits is to increase the overall cost of the insurance plan to the small employers who is in the most need of relief for the high cost of health care and are too small to self-insure and thus escape these mandates. A study in 1989 by a University of Illinois economist concluded that 16 percent of small employers not providing health insurance would offer benefits in the absence of state mandates.

Therefore, HB-12 exempts small employer health plans from any laws that would impose restrictions on insurers negotiating with

providers for services or prices of services or requires the small employer plans to include specific benefits or services rendered by certain providers.

The following is a brief discussion of each section of HB-12:

Section 1. Purpose -- describes the purpose of the bill by summarizing the issues addressed in HB-12.

Section 2. Prohibits unfair marketing practices delineated in 21.56.180.

Section 3. Exempts small employer health plans from any laws that would impose restrictions on insurers negotiating with providers for services or prices of services.

Section 4. Exempts small employer health plans from any laws that would impose restrictions on insurers negotiating with providers to include specific benefits or services rendered by certain providers.

Section 5. Small Employer Health Reinsurance Association. 21.56.10 -- creates a not-for-profit private legal entity whose membership consists of all insurers in the small employer insurance market -- insurance companies, hospital and medical service corporations, HMOs, and multiple employer welfare arrangements (which is not Medicaid, but a "term of art" describing unrelated multiple employers joining together for purposes of providing benefits plans).

21.56.020 -- describes the reinsurance association board composition which assures representation for all types of insurers doing business in the small group market including

welfare arrangements and guarantees a majority of seats to insurers in the small group market.

21.56.030 -- discusses the various powers of the Association board defining an array of health coverage products by which reinsurance will be provided and issued, as well as developing the methodology for determining the reinsured product premium rates.

21.56.040 -- requires the reinsurance association to submit a plan of operation to the Insurance Director for approval. This plan assures fair, reasonable and equitable administration of the Association. It permits the Director of Insurance, after notice and hearing, to adopt reasonable regulations.

21.56.050 -- establishes specific provisions for reinsurance of eligible employees of a small employer or dependents of eligible employees. By requiring carriers to accept groups/individuals within groups with greater than normal risks, insurers need assistance in spreading the greater risk, therefore, the establishment of the Reinsurance Association. Carriers are required to pay the first $5,000 of claims before reinsurance assumes the risk because reinsurance would be aimed at employer groups and employees known to be high risk, and because the premium price (paid by the insurer to the reinsurance mechanism) is capped (1.5 times the adjusted average market premium for groups and 5.0 times for individuals) to encourage carriers to participate in the small employer market, in the aggregate the cost of reinsured persons may well exceed the reinsurance premiums. The administrating insurer will determine any losses

annually. Any losses are covered through assessments from all members in the Reinsurance Association based on the member's share of total premiums net of reinsurance premiums paid for coverage under the chapter in the small employer market, including, to the extent permitted under ERISA, other benefit arrangements covering small employers. Assessments are capped at five percent of premiums charged for health benefit plans covering small employers.

To assure that insurers only cede (place) risk to the reinsurance mechanism when necessary, the premiums charged by the reinsurer are set at 1.5 times the average adjusted market premium price for similar type groups and benefits or 5 times the average adjusted premium market price for individuals with similar type benefits. Insurers are constrained from recouping the increased reinsurance costs as they may only attempt to recoup the 1.5 times average adjusted market premium price within the constraints of the overall rating bands described below. Only the level of coverage provided up to but not exceeding the coverage provided in a small employer health benefit plan is eligible for reinsurance.

This section also recognizes that federally qualified HMOs reinsurance premium may be modified to reflect the portion of the risk ceded to the Association, i.e., federally qualified benefits may be different from the benefits determined to be included in the reinsured health plans by the reinsurance board.

<u>21.56.060</u> -- establishes the member health benefit plan committee (including insurers, small employers, health care providers and

agents or brokers. The committee recommends benefit levels, cost sharing provisions for the basic and standard plan. These plans are required to incorporate cost containment techniques developed by the board, including but not limited to high cost case management, hospital precertification techniques and other cost containment techniques established by the Association.

21.56.070 -- requires that every two years the board will report to the insurance director and legislature on effectiveness of the act.

21.56.080-21.56.100 -- exempts the Association from the Administrative Procedures Act, imposition of taxes and limits the liability of the Association board.

21.56.110 -- Small Employer Health Insurance Plans. The program applies to all health insurance plans for individuals and group health benefit plans if they provide coverage to 2-25 eligible employees and the employer pays all or part of the premium and the health plan is applicable to the IRS code section 26 U.S.C. 106 or 26 U.S.C. 162.

This section also exempts all small employer health plans (25 employees or less) from any restrictions on an insurer's ability to negotiate with providers regarding reimbursement for services and eliminates the requirement that the benefit plan cover specific mandated benefits or classes of providers. These provisions will increase the affordability of small employer health plans while providing quality health care to Alaska residents.

21.56.120 -- Premium Rating Requirements. This provision provides stability and predictability of rates.

The premium pricing limitations included in this chapter limits an insurer's ability to vary rates for groups in similar geography, demographic composition and plan design. Specifically, an insurers premiums for similar groups could not vary by more than 35 percent from the carrier's index rate (arithmetic average of applicable base rate and highest rate). There is also a 15 percent limitation on how much a carrier could vary rates by industry. Finally, carriers would have to limit a group's year-to-year premium increases to no more than 15 percent above the carrier's trend (the year-to-year increase in the lowest new business rate). These provisions assure the small employer availability of and accessibility to predictable and renewable insurance rates.

Carriers are also required to disclose in its solicitation and sales material how the premium rates from specified small employers are establishing provisions of the plan and file an annual actuarial certification with the director.

21.56.130 -- Renewability of Coverage. Lists specified reasons why a health plan may not be renewed, i.e., nonpayment of premiums, fraud or misrepresentation by a small employer; noncompliance with minimum participation or employer contributions, etc. Specifies steps a carrier must take if the insurer decides to nonrenew all of its health benefit plans.

21.56.140 -- Required offer of Coverage. As a condition of doing business in the state with small employers, a small employer

insurer is required to offer a basic and a standard health benefit plan. The basic and standard plans are filed with the director who may disapprove them after a hearing.

21.56.150 -- Required Health Benefit Provisions. Benefit plans may not deny, exclude or limit benefits for more than 12 months due to a preexisting condition. This guarantees the availability of insurance to all small employers and removes the concerns of people with preexisting conditions that they would have to satisfy additional preexisting condition exclusions if they change jobs or if their employer changed insurance carriers. Once someone had satisfied a plan's 12-month preexisting condition restriction he or she would no longer be required to satisfy those requirements again when changing jobs or when the employer changes insurers. Carriers must offer coverage to all eligible employees and dependents and may not select only certain individuals.

21.56.160 -- Exemption From Required Offer of Coverage. Delineates when an insurer does not have to offer coverage, i.e. the small employer not located in carrier's geographic area; the carrier does not have capacity to deliver service adequately to members; the carrier is only maintaining in force business and ceased enrolling new employer groups before January 1, 1993.

21.56.170 -- Conditions For Ceasing To Do Business. Insurers ceasing to do business in the small employer market are required to give notice of this decision to the insurance department, the reinsurance board, the policyholder and the employer. Coverage is required to be continued for one year after the date of

notification. An insurer is also prevented from reentering the small group market for at least five years from the date the notice was given that they decided to cease to do business in this Alaska market.

21.56.180 -- Fair Marketing Standards. Specifies standards for insurers to follow including the requirement to affirmatively market basic and standard health plans, an insurer may not deny compensation to an agent/broker due to adverse health status, claims experience, etc. of small employers.

21.56.190 -- Mandatory Reissue of Coverage. In order that carriers not selectively "dump" their business before the effective date of the bill, the director may adopt regulations to require a carrier to reissue a health benefit plan to a small employer if it was nonrenewed after January 1, 1993.

21.56.250 -- Definitions. This section describes all the terms used in this chapter.

Sections 6,7. The small employer health insurance reforms of this chapter apply to HMOs. Section 6 achieves this purpose; Section 7 is the sunset provision.

Sections 8,9. The small employer health insurance reforms for this chapter apply to hospital or medical service corporations. Therefore, it is necessary to cross reference the other sections of the insurance code related to these organizations for the purpose of applicability to this chapter.

Section 10. Premium Rate Restriction. This addresses premiums for policies that are delivered prior to the effective date of the bill, by permitting existing (in-force) contracts that may include premium rates which do not meet the new premium rate restrictions to be phased in over the life of the contract, but not to exceed a three-year phase-in.

Section 11. Transition. Not all sections of the chapter become effective upon enactment. This section lists those portions of the chapter which begin at dates later than the July 1, 1993 effective date.

Section 14. Lists the effective date of the chapter as July 1, 1993.

HIAA

WASH. POST 3/14/93

JANE BRYANT QUINN

A 'Community' Approach To Cutting Health Costs

Health insurers like to think they're part of the answer to the high cost of health care. But they're actually part of the problem.

They've figured out ways to "cherry-pick" the insurance market—keeping the healthy, who don't file many medical claims, while throwing sick people overboard.

Big-company health plans usually aren't affected. But small companies and individuals have been taking it in the teeth. If one person in a small group gets sick, rates may rise by 50 percent or 100 percent for everyone.

President Clinton's health care reforms are certain to address this issue. In the meantime, a majority of the states are trying out ideas of their own.

The egalitarian solution is a pricing system known as "community rating." This is how health insurance used to be priced, and how some Blue Cross/Blue Shield plans are still priced. In setting rates, the healthy are averaged with the sick. Everyone gets the same or a similar rate (although people are sometimes grouped by geographical area, family size or other specific characteristics).

Community rating is often coupled with "guaranteed issue"—meaning that the insurers have to accept all applicants, regardless of health.

Five states are in the process of introducing community rates. Two—New York and New Jersey—aim to make premiums uniform within specified groupings, for example for everyone living in the same geographical area. In the others—Oregon, Maine and Vermont—limited rate variation is allowed, although rates can't be increased for those in poor health. The laws in New York and New Jersey cover individual policies as well as small-group plans. The others cover only small groups.

For buyers of individual insurance, community rating could lead to problems. Everyone is averaged together, so younger or healthier people may have to pay more to help cover the claims of the sick. As a result, larger numbers of healthy people may decide not to buy. "I think you should rate separately for children, for young adults and for old adults," said Deborah Chollet director of the Center for Insurance Research at Georgia State University.

Instead of going all the way to community rating, 25 states have recently passed "rate banding" laws for small-group insurance (small groups are often defined as groups of up to 25, but sometimes up to 50). These laws stop insurers from hitting small companies with excessive price increases when one employee or dependent comes down with a costly illness.

Under rate banding, a small company's health insurance premiums have to be set within a fixed range. Rates can rise in line with the trend in each insurer's medical claims costs, now increasing at around 15 percent annually (that covers increased use of medical services, as well as rising prices for health care). But a company with an employee who's grievously ill typically cannot be charged any more than 15 percent above average.

For a company paying below the average, there might still be a sizable premium increase in the first year that a worker falls ill. But small companies wouldn't take a 50 percent or 100 percent hit. Furthermore, their premium increases would soon fall back to the medical trend rate.

Rate-banding states allow several bands that separate people by circumstances such as age and health. So rates among different types of employer groups can vary by more than 15 percent. Still, the law stops aggressive insurers from picking off the best risks and dumping the rest.

States with rate banding usually tie it to guaranteed-issue—forcing the insurers to take all comers. So small companies with, say, one sick employee can still get a policy for all.

Rate-banded group insurance should not be as expensive for younger or healthy people as community-rated policies might become, said Chris Petersen, assistant general counsel for the Health Insurance Association of America. That's because there are many more healthy people than sick ones. If more small companies buy insurance, they'll increase the number of healthy people in the pool, relative to the number of sick ones. So overall, rates shouldn't have to climb a lot, he said.

Although these programs make insurance pricing more predictable, they don't solve the affordability problem. But consider them fingers in the dike until the country figures out how to pay for basic care for everyone.

Also appeared in N.Y. Daily News 3/14

COMPREHENSIVE SMALL EMPLOYER PACKAGES

	CALIFORNIA	CONNECTICUT
Availability	Guaranteed issue of small employer products (group size 5-50 by 7/1/93; 4-50 by 7/1/94; 3-50 by 7/1/95) (1992 HB 1672) §10700(x), 10705(b)h	Guaranteed issue §38a-552, 5682(b)
Group Size	3-50 §10700(x)	1-25 §38a-564(4)
Individual Policies	Individual policies sold to small employers meeting certain requirements are subject to this Act §10702	Insurers may issue individual special health care plans subject to the laws applicable to individual health insurance, provided such policies shall be identical to individual special health care plans made available by the Health Reinsurance Association. §38a-552, 566
Case Characteristics	Includes age (7 categories), geography (9 regions), family composition (4 categories), and plan design which are used to determine the standard employee risk rate §10700(w)	Appears to include everything except claims experience §38a-564(27)
Rating Restrictions	Premium rates may not vary from the standard employee risk rate by more than 120% nor less than 80% until July 1, 1996; effective July 1, 1996, premium rates may not vary from the standard employee risk rate by more than 110% nor less than 90% §10700(v), 10714	Premium rates may not exceed 200% of the lowest new business rate for the same or similar case characteristics §38a-567(5)
Transitional Period	See above	5 years; after July 1, 1995, rating restrictions will be applied to plans issued prior to July 1, 1990 §38a-567(5)
Renewal Rating	10% permitted for risk adjustment factors; renewal rates are effective for at least six months §10714(b)1(2)	Trend plus 20% plus changes in case characteristics §38a-567(6)
Renewability	Guaranteed renewable except "for cause" §10705(b), 10713	Guaranteed renewable except "for cause" §38a-567(3)
Whole Groups	Carriers are required to take the whole group §10707	Cannot exclude eligible employees or dependents on the basis of an actual or expected health condition §38a-567(4)
Continuity of Coverage	Preexisting condition limitation of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods; if employment is terminated or employer's contribution toward the coverage has terminated, there is a 90-day period allowed for continuity of coverage §10706, 10708(a,b), 10709(a)	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §38a-567(1,2)
Reinsurance type	Prospective/with opt out §10719, 10720(d)	Prospective/mandatory (effec. 5/1/91) §38a-569
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §38a-569(c)
Cost Sharing	No provision	$5000 for all plans except those which supplement the basic hospital or hospital surgical plans, in which case the deductible is $2000 §38a-569(b1)
Assessments	No cap §10721	(1) Apportioned among all members in proportion to their respective shares of the total premiums earned from small group plans, (2) apportioned among all members in proportion to their respective shares of total premiums earned from other plans; members' assessments cannot exceed 40% of the total assessment for the first year, 50% for the second §38a-569 e(2)
Other	Establishes a purchasing pool for small employers §10730	
Effective Date	July 1, 1993, but see phase-in effective dates above	July 1, 1990

	DELAWARE	FLORIDA
Availability	Guaranteed issue (groups of 2-25) §7207(a)3	Guaranteed issue with cap (group size 3-25) (1992 SB 2390) §627.6699(3)r, (5)a
Group Size	1-25 §7202(cc)	1-25 §627.4106(2)a
Individual Policies	Does not apply to individual health policies §7203	With regard to rating and renewability provisions, does not apply to individual policies if the insurer certifies to the department that the policy was issued in good faith with no knowledge or intent that the policy is paid by or the premiums are reimbursed by a small employer §627.4106(4)
Case Characteristics	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics; small employer carrier shall not use characteristics other than age, gender, industry, geographic area, family composition, unhealthy lifestyle choices, and group size without prior approval of Commissioner §7202(g), 7204, 7205(4)	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics §627.4106(2)a
Rating Restrictions	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar benefit plans shall not vary from the index rate by more than 35%, with an additional combined variation of no more than 10% for gender and geography, and the actuarially justified adjustment for age and family composition, provided that the carrier file age and family composition tables with the Commissioner §7205(1,2)	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §627.4106(5)1,3
Transitional Period	For plans delivered or issued for delivery prior to the effective date of this chapter, a premium rate may have a one-year transition period §7205(7)	5 years §627.4106(9)
Renewal Rating	Trend plus 15% plus changes in case characteristics §7205(3)6	Trend plus 15% plus changes in case characteristics §627.4106(5)b
Renewability	Guaranteed renewable except "for cause" §7206	Guaranteed renewable except "for cause" §627.4106(6)
Whole Groups	Carriers must offer coverage to all eligible employees and dependents §7207(a)	Carriers must offer coverage to all eligible employees and dependents §627.6699(5)e(7)
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 60 days prior to the new coverage, exclusive of applicable waiting periods §7207(c)	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §627.6699(5)e(1)(2)
Reinsurance type	Prospective/with an opt-out §7210	Prospective/with an opt-out §627.6699(8)
Reinsurance Price	Whole Group: 150% Individual: 500% §7210(i)4	Whole Group: 150% Individual: 500% §627.6699(8)h(1)a,b
Cost Sharing	$5,000 plus 10% of the next $50,000 §7210(L)2b, (L)3c	$5000 per year plus 10% of incurred claims during a calendar year §627.6699(8)9(4)
Assessments	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans §7210(L)2(b), L(3)c	1st tier: an amount not to exceed 5% of small employer premiums; 2nd tier, if necessary: an amount not to exceed .5% of premiums collected on all health benefit plans issued by small and large group carriers §627.6699(8)J(2)
Other	Allows reinsurance of existing business §7210(i)3	Carriers paying 2nd tier assessments will receive a credit for assessments paid to the Florida Risk Pool §627.6699(8)J(2)b
Effective Date	January 4, 1993	October 1, 1992 (rating & renewability provisions 10/1/91)

	HAWAII	IOWA
Availability	State run, employment based program; all residents are eligible	Guaranteed issue §513B
Group Size	No provision	1-25; however, must have at least 2 participating employees at the date of issue of health benefit plan §513B.2(12)
Individual Policies	No provision	Does not apply to individual policies which are subject to policy form and premium rate approval §513B.3
Case Characteristics	No provision	Case characteristics include age, industry classification, geographic area, family composition, and group size; gender may be used provided the insurance division has conducted an independent, actuarial study that determined use of gender to be actuarially justified; other case characteristics shall not be used without prior approval of commissioner §513B.2(4)
Rating Restrictions	No provision	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §513B.4
Transitional Period	No provision	3 years §513B.4
Renewal Rating	No provision	Trend plus 15% plus changes in case characteristics §513B.4
Renewability	No provision	Guaranteed renewable except "for cause" §513B.5
Whole Groups	No provision	Must offer to whole group, except as permitted with regard to late enrollees §513B.7A(3)e
Continuity of Coverage	No provision	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §513B.7A(3)3
Reinsurance Type	No provision	Prospective/with an opt-out §513b.7(D)
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §513B.7(D)9(b)
Cost Sharing	No provision	$5,000 and 10% of the next $50,000 of incurred claims during a calendar year; liability maximum of $10,00 in any one calendar year with respect to any reinsured individual §513B.7(D)8(D)
Assessments	No provision	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; amount shall be 5% of total premiums earned in previous year from small employer plans §513B.7(D)11(2)
Other	Employees required to pay 1.5% of wages, or half the premium whichever is less; employers provide the balance for each employee working more than 20 hours per week; dependent coverage is optional; unemployed residents above poverty level pay a small fee for doctor visits and a portion of the premium with the remainder being funded by the State; poor are covered by Medicaid	
Effective Date		July 1, 1992

	KANSAS	MAINE
Availability	Guaranteed issue (group size: 3-25) (1992 SB 561) §4(b), 12(a)	Guaranteed issue (1992 HP 507) §2808-B 4(A)
Group Size	1-25 §3(z)	1-24 §2808-B 1(D)
Individual Policies	Individual policies issued to individuals and dependents totally independent of any group, association, or trust arrangement shall not be subject to this Act §4(a), 4(a)3(e)	No provision §2808-B(7)
Case Characteristics	Case characteristics include the geographic area, age and sex, industry classification, number of employees and dependents, family composition, and other objective criteria as may be approved by the commissioner; claims experience, health status, and duration of coverage are not case characteristics §3(g)	A carrier may not vary the premium rate due to the health status, claims experience or policy duration of the eligible group; age, gender, industry, and geography within the bands; family status, smoking status, participation in wellness programs, and group size may be used outside rate bands §2808-B 2(B)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §7(1)(2)	Premium rates for age, gender, industry, and geographic area may not vary by +/- 50% of the community rate until 7/14/94, +/- 33% of the community rate until 7/14/95, +/- 20% of the community rate until 7/14/96, +/- 10% of the community rate until 7/14/97, and 0% of the community rate by 7/14/97; restrictions are repealed 7/14/94 unless continued or modified §2808-B 2(D)
Transitional Period	3 years §7(6)	None
Renewal Rating	Trend plus 15% plus changes in case characteristics §7(3)(b)	No provision
Renewability	Guaranteed renewable except "for cause" §5(c)	Guaranteed renewable except "for cause" §2808-B (4)B
Whole Groups	Prohibits carrier from excluding any employee or dependent on the basis of an actual or expected health condition §5(c)6(a)	(1990 - applies to all groups) Prohibits carriers from excluding any person from group; all new eligible employees must be added; may reject group until guaranteed issue is effective §2829-B
Continuity of Coverage	Preexisting condition limitations of 12 months and waiting periods not to exceed one year; waiting periods may be waived if individual was covered by a group policy prior to the effective date of coverage with no gap in coverage §5(a)(b)	(1990 - applies to all groups) Requires continuity for any person eligible for coverage in prior 3 months in a group replacement situation or for person moving from individual to group or group-to-group coverage; limit on 10% or premium rate increases for preexisting conditions during first 12 months of employment; preexisting condition limitations of 6 months for individual policies, except up to 24 months for any condition that as of the effective date of coverage requires ongoing medical treatment (H 1641) §2849-2(B)B,6 §2850(2)
Reinsurance Type	Prospective/with an opt-out §11(a)	Requires the Bureau of Insurance to report to the Banking and Insurance Committee on or before January 1, 1993, on reinsurance models with opt-out §5
Reinsurance Price	To be established by the reinsurance board §13(g)6	No provision
Cost Sharing	$10,000 plus 10% of the next $50,000; maximum in one calendar year shall not exceed 20% of total premiums §11(h)6(j)	No provision
Assessments	Not to exceed 5% of small employer plan premiums; second tier not to exceed 1% of total premium upon which assessment is based §11(k)2(c)	No provision
Other	Must reinsure the entire group; all carriers, whether reinsuring or not, subject to second tier assessment §11(k)2(b)	Marketing standards; superintendent will develop standardized plans §2808-B (6)
Effective Date	July 1, 1992	July 15, 1993 (for rating and guaranteed issue)

	MASSACHUSETTS	MINNESOTA
Availability	Guaranteed issue; however, until December 31, 1994, a carrier can limit the guaranteed issue requirement to 90 consecutive days a year; certain association groups are exempted from all but the reinsurance portion of the bill (1991 HB 6307) §2(b), 4(a)1	Guaranteed issue of all products sold in small employer market (1992 HB 2800, SB 2603) §3 subd. 1, 4 subd. 1
Group Size	1-25 §1	2-29 §subd. 26
Individual Policies	Does not apply to individual policies §2(a)	All provisions except guaranteed issue apply to individual policies §12 subd. 1,2,6 subd. 27(i)(ii)
Case Characteristics	Age, sex, rate basis type, industry, number of eligible persons, and participation rate of a group §1	Relevant characteristics of small employer as determined by carrier in determination of premiums; claims experience, health status, industry, duration of coverage, and gender are not case characteristics §2 subd. 6, 3 subd. 4
Rating Restrictions	Premium rates are limited to a 2-1 rate band; however, the following adjustments are permitted outside that band: benefit level, geography +/- 20%, group size +/- 5%, wellness discount -5%, phase out adjustment for experience and duration rating on existing business to reach +/- 15% by 12/31/94, age +/- 33% until 12/31/93 §3(a)1, 3(a)3(4), 3(a)7	Rates must not vary by more than +/- 25% of the index rate for same or similar coverage; inside the rating band, variations can be based only on ..ealth status (includes refraining from tobacco use or other actuarially valid lifestyle factors), claims experience, industry, and length of time employer has been covered; adjustments outside the band: age +/- 50%, geography +/- 20%, rate cells are permitted based on number of adults and children covered under the policy §8 subd. 2,3,4,5,6
Transitional P riod	Phase out of rating restrictions §3(a)8	None
Renewal Rating	Trend plus 10% plus changes in case characteristics §3(b)	No provision
Renewability	Guaranteed renewable except "for cause" §4(b)(1)(2)	Guaranteed renewable except "for cause" §3 subd. 5
Whole Groups	Prohibits policies from excluding eligible employees or eligible dependents on the basis of an actual or expected health condition of such person §5(a)	Application must include all eligible employees §4 subd. 1
Continuity of Coverage	Preexisting condition exclusion of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage and if previous coverage was reasonably actuarially equivalent to new coverage §5(h)	Preexisting condition exclusion of 12 months; requires credit for time covered under qualifying prior coverage; permits 18 month preexisting condition limitation for late entrants §3 subd.4
Reinsurance Type	Prospective/mandatory for commercials §8	prospective/with an opt-out §13, 18(1)
Reinsurance Price	Whole Groups: 150% Individuals: 500% §8(1)(2)	Whole Groups: 150% Individuals: 500% §21(1)
Cost Sharing	$5,000 §8	$5,000, plus 10% of the next $50,000 §20(1)
Assessments	5% of small employer premiums; if inadequate, other funding sources will be recommended §8(7)	Initially, $100; in addition, not to exceed 4% of the member's small group market premium (if it is determined that premium charges are insufficient to cover the losses) §22(2)(3)
Other		Loss ratios: initially 65% for individual policies, 75% for group policies; increases by 1% per year to 70% and 80%, respectively §8(1)
Effective Date	April 1, 1992	Most provisions July 1, 1993

	MISSOURI	NEW HAMPSHIRE
Availability	Guaranteed issue '1992 SB 796) §6	No provision (1992 HB 321)
Group Size	3-25 §1(28)	2-50 §420-F:1(XI)
Individual Policies	No provision §2(1)(2)(3), 3	Does not apply to individual health policies which are subject to policy form and premium rate approval §420-F:2(I)(II)
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §1(9), 4(10)	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §420-F:1(XV)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §4(1)(2)	Rates charged during a rating period to small employers with similar case characteristics for same or similar coverage shall not vary from the index rate by more than 30% §420-F:3(I)a
Transitional Period	3 years §4(3)b	5 years §420-F:3(I)(3)c
Renewal Rating	Trend plus 15% plus changes in case characteristics §4(3)b	Trend plus 15% plus changes in case characteristics §420-F:3(I)2
Renewability	Guaranteed renewable except "for cause" §5	Guaranteed renewable except "for cause" §420-F:4
Whole Groups	Insurer must cover the whole group §6(5)a	Insurer must cover the whole group §420-F:4
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §6(2)	Preexisting condition limitations consistent with insurance department rules
Reinsurance Type	Prospective/mandatory with an [illegible] (1)	No provision
Reinsurance Price	Whole Group: 150% §7(9)2	No provision
Cost Sharing	$5,000 plus 10% of the remaining incurred claims; maximum limit of $25,000 §7(8)3	No provision
Assessments	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans §11(2)b. 11(3)c	No provision
Other		
Effective Date	Guaranteed issue and continuity of coverage provision effective July 1, 1994; all other sections affective July 1, 1993	January 1, 1993

	NEW JERSEY
Availability	Continuous open enrollment (guaranteed issue) §3b
Group Size	2-49 §1
Individual Policies	Applies to all health benefit plans covering eligible employees of one or more small employers §2
Case Characteristics	Prohibits the use of age, sex, health status, residence or occupation with community rating. §1
Rating Restrictions	Rates may not exceed 4 times the base premium rate charged to the lowest-rated group. Plans must be community rated by 1/1/97. 1/1/94 to 12/31/95, premium rates charged to highest rated group shall not be greater than 300% of rate charged to lowest rated group. 1/1/96 to 12/31/96 greater than 200%. §9
Transitional Period	Policies whose term extends beyond 12/31/93. Policies contracted on or after 1/1/94. §9(h)(i)
Renewal Rating	Beginning 1/1/95 may make informational filing with commissioner of increase or decrease provided the loss ratio not be less than 75% or the premium. §9g
Renewability	Guaranteed renewable except "for cause" §7
Whole Groups	Must offer coverage to all employees and their dependents. Cannot exclude based on actual or expected health condition. §2
Continuity of Coverage	Generally no preexisting condition limitation. Preex may apply to a group of 2-5 if the period is 180 days forward and 6 months back, however, if 10 or more late enrollees request coverage pre-ex does not apply. Credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods. §6
Reinsurance Type	Prospective §12
Reinsurance Price	Whole Group: 150% Individual: 500% §20
Cost Sharing	Receive reimbursement in accordance with standards developed by board. §19a
Assessments	Apportioned among all reinsuring members in proportion to their respective shares of the premiums earned from small group plans. Additional assessments of all members not to exceed 1% of premiums. §21c
Other	No pre-ex permitted -- see continuity of coverage. Some carriers paying 2nd tier assessments will receive a credit. §21c
Effective Date	

	NEW YORK	NORTH CAROLINA
Availability	Continuous open enrollment (guaranteed issue) (1992 A 12350-A) §3231	Guaranteed issue §58-50-125(d)
Group Size	3-50 for open enrollment §3231	3-25 §58-50-110(22)
Individual Policies	Must be community rated and must be offered through open enrollment §3231	Does not apply to individual health policies §58-50-115
Case Characteristics	Prohibits the use of age, sex, health status, or occupations; geography is permitted on a county-wide (or larger) basis; Since not prohibited, presumably group size, participation, wellness, and other case characteristics are permitted §3231(a,b)	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §58-50-110(6)
Rating Restrictions	No statutory restrictions on permitted case characteristics, but Department has rate approval authority for initial rates §3231(c)(c)	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 25%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 35% §58-50-130(b)1,2
Transitional Period	The one-year delay in effective date is viewed as the transition period	3 years §58-50-130(b)7
Renewal Rating	Prior rating approval; beginning April 1, 1994, rates shall be deemed approved if policy has an anticipated loss ratio of not less than 75% §3231(a), 3231(2)a	Trend plus 15% plus changes in case characteristics §58-50-130(b)3(b)
Renewability	Coverage may not be terminated due to claims experience §3231	Guaranteed renewable except "for cause" §58-50-130a(3)
Whole Groups	Carriers must offer coverage to all employees and their dependents §3231	No provision
Continuity of Coverage	Plans must credit the time a person was covered under previous health insurance plan or benefit arrangement if the previous coverage was continuous to a date not more than 60 days prior to the effective date of new coverage §3232(a), 4318(a)	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §58-50-130
Reinsurance Type	Regulations shall include reinsurance or pooling process designed to share the risk of high claims costs; cost variations based on demographic factors and possible adverse selection §3233(c)	Prospective/with an opt-out §58-50-150
Reinsurance Price	No provision	Whole Group: 150% Individual: 500% §58-50-150(g)2(g)
Cost Sharing	No provision	$5,000 plus 10% of the next $50,000 §58-50-150(g)2(c)
Assessments	No provision	First 3 years: 50% - 150% of amount it would have been had assessments been based on proportional relationship of small carrier's total premiums; not to exceed 4% §58-50-150(i)i
Other	1 and 2 live employers must be classified in either the individuals or small groups rating category by the insurer §3231(b)	
Effective Date	Community rating and open enrollment take effect April 1, 1993; continuity of coverage takes effect January 1, 1993 §21	January 1, 1992

	OHIO
Availability	Modified open enrollment. Carriers must open enroll 1/2 of 1% of total block of business.
Group Size	2-50 §3923.58
Individual Policies	Subject to law if any portion of the premium or benefits is paid by the employer, or any individual is reimbursed for any portion of the premium. §3924.02(A)
Case Characteristics	Geography, age, sex and industry classification. Does not include claims experience, health status or duration of coverage. §3924.01(E)
Rating Restrictions	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate. §3024.04
Transitional Period	Rates that exceed rate band may not use experience.
Renewal Rating	Trend plus 15% changes in case characteristics. §3924.04(C)
Renewability	Guaranteed renewable except "for cause." 3924.03(C)
Whole Groups	Cannot exclude eligible employees or dependents on the basis of an actual or expected health condition. §3924.03(F)
Continuity of Coverage	Preexisting condition limitation of 12 months relating to conditions 6 months before coverage. Waiting periods shall not be more than 90 days. Plans shall credit the time a person was covered under a previous health plan for 30 days prior to the effective date of the new coverage, exclusive of any applicable waiting period. Late enrollees may be excluded up to 24 months. §3924.03 (A)(B)
Reinsurance Type	§3924.07
Reinsurance Price	Whole Group: 150% Individual: 500% §3924.12(A)
Cost Sharing	
Assessments	Apportioned among all members in proportion to their respective shares of the total premiums earned from small group plans. Assessment will not exceed 1%. §3924.13(B)
Other	
Effective Date	

	OREGON	RHODE ISLAND
Availability	Guaranteed issue (1991 SB 1076) §6(4)	Guaranteed issue (groups of 3-25) (1992 H 9011 Sub. A) §27-49-8(A)
Group Size	3-25 §3(25)	1-50 §27-49-4(AA)
Individual Policies	Applies to individual policies providing health benefits covering one or more employees of a small employer; provisions of OR 742.005 do not apply to individual policies subject to this law §5(1)(2)	Does not apply to individual health policies. §27-49-4
Case Characteristics	Geography and differences in family size and composition §7(6)b	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §27-49-3(F)
Rating Restrictions	Premium rates may not vary from the geographic average rate by more than 33% except that the premium rate may be adjusted to reflect the provision of additional benefits not covered by the basic health care plan and differences in family size and composition §7(6)b	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §27-49-6(1,2)
Transitional Period	Effective on the date the reinsurance pool becomes operational §7(10)a	3 years §27-49-6(7)
Renewal Rating	Trend plus 15% plus adjustments to reflect provision of benefits not required to be covered by basic health care plan §7(6)c(B)	Trend plus 15% plus changes in case characteristics §27-49-6(3)b
Renewability	Guaranteed renewable except "for cause" §7(4)	Guaranteed renewable except "for cause" §27-49-7
Whole Groups	Prohibits carriers from excluding individuals on the basis of actual or expected health condition §7(3)	Carriers are required to take the whole group §27-49-8c(5a)
Continuity of Coverage	Preexisting condition limitation of 6 months; credit shall be given if the person was covered under a previous group or individual plan if the previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §7(1)(2)	Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits. §27-49-8(c)
Reinsurance Type	Prospective/with an opt-out §10,11	Prospective/with an opt-out §27-49-11
Reinsurance Price	Existing business: none Whole Group: 150% Individual: 300% §11(8)a,b	Whole Group: 150% Individual: 500% §27-49-11(9)5(2)
Cost Sharing	$5,000 plus 15% of the next $100,000 §11(7)d	First $5,000 of reinsured claims §27-49-11(9)(4A)
Assessments	Maximum assessment is 4% of small employer premium plus 1% of members' total health insurance premiums §11(12)a	5% of total premiums earned in small employer market §27-49-11(L)(3c)
Other		Standard and economy health benefit plans are included within the law and are based on Rhode Island 'low-cost limited mandated benefit law. Copayment, deductibles, and coinsurance are outlined. §27-49-12
Effective Date	On or after the date the Oregon Small Employer Reinsurance Pool becomes operational	July 21, 1992

	SOUTH CAROLINA
Availability	No provision
Group Size	1-25 §38-71-920(1)
Individual Policies	Does not apply to individual health policies subject to policy form and premium rate approval §38-71-930(A,B)
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §38-71-920(5)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §38-71-940
Transitional Period	5 years §38-71-940(A)4
Renewal Rating	Trend plus 15% plus changes in case characteristics §38-71-940(A)3(B)
Renewability	Guaranteed renewable except "for cause" §38-71-950
Whole Groups	Prohibits carriers from excluding any individual from the group; however, in groups of 10 or less, evidence of individual insurability may be required §38-71-730(3)
Continuity of Coverage	Preexisting condition limitations of 12 months; credit shall be given for time served under a prior plan if the coverage is selected when the person first becomes eligible and the coverage is continuous; service waiting periods are not considered to interrupt continuous service §38-71-730(4)
Reinsurance Type	No provision
Reinsurance Price	No provision
Cost Sharing	No provision
Assessments	No provision
Other	
Effective Date	January 1, 1992

	TENNESSEE	VERMONT
Availability	Guaranteed issue (1992 SB 2578) §8(E)	Guaranteed issue §4080a(4)d(1)
Group Size	3-25 §3(24)	1-49 §4080a(1)
Individual Policies	Does not apply to individual policies §6(a,b)	May not offer a health benefit plan or insurance policy to individual employees or members of a small group as a means of circumventing the act §4080a(4)h(3)m
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §3(6)	The following risk classification factors are prohibited: demographic rating, including age and gender, geographic area rating, industry rating, medical underwriting and screening, experience rating, tier rating, or durational rating; Commissioner may by rule permit carriers to use one or more risk classifications §4080a(h)1
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 25%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 35% §9(b)	Premiums may not deviate by more than +/- 20% of the community rate filed by the small employer carrier §4080a(h)2
Transitional Period	3 years §9(b)7	In force business will not be subject to the provisions of the Act until the later of the date of renewal, anniversary, or July 1, 1992 §5112(6)b
Renewal Rating	Trend plus 15% plus change in case characteristics 9(b)3(B)	No provision
Renewability	Guaranteed renewable except "for cause" §9(3)	Must guarantee rates for six months; must guarantee acceptance §4080a(k)
Whole Groups	No provision	Carrier must take entire group §4080a(a)4(d)
Continuity of Coverage	Preexisting condition limitation of 12 months; plans shall credit the time person was covered under a previous group health benefit plan if previous coverage was continuous 30 days prior to the new coverage §9(1,2)	Preexisting condition limitation of 12 months; limitation shall be waived if there is evidence of substantially equivalent continuous coverage during previous 9 months §4080a(g)
Reinsurance Type	Prospective/with an opt-out §13(a)	Prospective/mandatory for commercials; participants must guarantee solvency w/out limitation on a pro-rata basis §4080a(a)
Reinsurance Price	Whole Group: 150% Individual: 500% §13(g)2(c)	No provision
Cost Sharing	$5,000 plus 10% of the next $50,000 §13(g)2(c)	No provision
Assessments	Capped at 5% of small employer premiums; formula to be set by board but must be 50% to 150% of carrier's proportional share of all reinsuring carriers' small employer premiums §13(h)(2,4)	No provision
Other	Guaranteed issue requirement suspended if assessment cap is reached §13(h)4	Participation requirement = 75% of employees; most provisions do not apply to registered carriers who on 1/1/91 and thereafter have written or collected less than $100,000 in annual gross premiums for group health benefit plans §4080a(1)h(3)l
Effective Date	July 1, 1992; January 1, 1993 for preexisting condition and guaranteed renewable provisions	July 1, 1992

	VIRGINIA	WISCONSIN
Availability	Guaranteed issue.* §38.2-3431(D) (*1993 HB 2353 amendments awaiting Governors signature)	Guaranteed issue (1992 A 655) §635.26
Group Size	2-23 for primary small group, 2-50 for small group §38.2-3431(B)	2-25 §635.20(12)a
Individual Policies	Subject if any portion of the premiums or benefits is paid by the employer, if the employee is reimbursed or if the plan is treated as part of a program for the purpose of the US Internal Revenue Code. §38.2-3431(A)	Applies to individual policies §635.02(8)
Case Characteristics	Based on a community rate subject to demographic rating including age, gender and geography. May not use claim experience, health status or duration. *	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §§305.05(2)(3), 635.16(4)
Rating Restrictions	Premium rates charged by a small employer may deviate above or below the community rate by no more than 20% for claim experience, health status and duration only during a rating period for such groups within similar demographics for the same or similar coverage. Rating factors, including case characteristics will be applied consistently with respect to all primary small employers in similar demographics. Adjustments in rates for claims experience, health status and duration from issue may not be applied individually. *	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate §635.05(1)
Transitional Period	No provision	3 years
Renewal Rating	No provision	Trend plus 15% plus changes in case characteristics §635.05(2)2
Renewability	Guaranteed renewable except "for cause" §38.2-3432(B)	Guaranteed renewable except "for cause" §635.07
Whole Groups	Prohibits carriers from excluding individuals because of health status §38.2-3432(1)(3)	Insurer must offer coverage to the entire group §635.25(2)
Continuity of Coverage	Preexisting condition limitation of 12 months; time shall be credited to a person covered under previous individual or group coverage in the small employer market of equal or greater value if coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods. Late enrollee may be excluded for 18 months. §38.2-3432(1)(3)	Preexisting condition limitation of 12 months; credit shall be given to individuals who were previously covered by qualifying coverage if the coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods §635.17
Reinsurance Type	No provision	Reinsurance type and assessments shall be studied by the Health Insurance Board §635.23
Reinsurance Price	No provision	No provision
Cost Sharing	No provision	No provision
Assessments	No provision	No provision
Other		
Effective Date	April 1, 1994	Day after publication

	WYOMING
Availability	Guaranteed issue §26-19-306
Group Size	2-25 §26-19-302(xxii)
Individual Policies	Does not apply to individual policies which are subject to approval for policy form §26-19-303
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics §26-19-302(vi)
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25% §26-19-304
Transitional Period	3 years §26-19-304(a)viii
Renewal Rating	Trend plus 15% plus changes in case characteristics §26-19-304(a)iii(B)
Renewability	Guaranteed renewable except "for cause" §26-19-305
Whole Groups	Insurers are required to offer coverage to the entire group §26-19-306(c)vi
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given for time person was previously covered if previous coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods, or for a person who become unemployed and are provided coverage if the person obtains employment and coverage within 60 days §26-19-306(c)i
Reinsurance Type	Prospective/mandatory §26-19-307
Reinsurance Price	Whole Group: 150% Individual: 500% §26-19-307(k)i,ii
Cost Sharing	$5,000 §26-19-307(l)x,v
Assessments	Not to exceed 5% of the total small group premiums §26-19-307(n)A
Other	
Effective Date	No earlier than March 31, 1993

COMPREHENSIVE SMALL EMPLOYER PACKAGES

	HIAA	NAIC
Availability	Guaranteed issue	Guaranteed issue (groups of 3-25)
Group Size	3-25	1-25
Individual Policies	Individual policies sold to small employer subject to Act; however, if state has effective rate regulation, the rating requirements do not apply	Does apply to individual policies; although drafting note says that states may wish to consider exempting individual health policies from the rating provisions
Case Characteristics	Geography, age, sex, size of employer, and other objective criteria; but does not include claims experience, health status, or duration of coverage	Small employer carriers may not use case characteristics other than age, gender, industry, geographic area, family composition, and group size without prior approval of Commissioner
Rating Restrictions	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	3 years	3 years
Renewal Rating	Trend plus 15% plus changes in case characteristics	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Carriers must take the entire group	Carriers must take the entire group
Continuity of Coverage	Plans must credit the time a person was covered under a previous employer-based plan if coverage was continuous.	Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits
Reinsurance Type	Prospective/mandatory	Individual states will determine whether to make participation in reinsurance mandatory or voluntary
Reinsurance Price	Whole Group: 150% Individual: 500%	Whole Group: 150% Individual: 500%
Cost Sharing	None	First $5000 of reinsured claims plus 10% of next $50,000
Assessments	4% of the premium of small employer market net of reinsurance premiums paid	5% of the premium of the small employer market
Other	Carriers may reinsure existing business and new adds	
Effective Date		

ALASKA STATE LEGISLATURE

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MINORITY WHIP

CHAIR
CHILDREN'S CAUCUS

HEALTH, EDUCATION & SOCIAL SERVICES

STATE AFFAIRS

ECONOMIC TASK FORCE

REPRESENTATIVE BETTYE DAVIS

DISTRICT 21

SPONSOR STATEMENT FOR SSHB 12
Small Employer Health Insurance Reform

SSHB 12 promotes the availability of health insurance coverage for small employers and reforms the small employer health insurance market. Without requiring additional state expenditures, it provides:

* Guaranteed availability - All small employer groups would be able to obtain private health insurance regardless of the health risk they represent (see Sec. 21.56.140(a)).

* Coverage of whole groups - Coverage must be available to entire groups. Neither an employer nor an insurer could exclude individuals having high medical risks from the group's coverage (see Sec. 21.56.150(6)).

* Renewability of coverage - Individuals in employer groups and employer groups themselves would be assured at the time of renewal that their coverage would not be canceled because of deteriorating health (see Sec. 21.56.130).

* Continuity of coverage - Once a person is covered and has satisfied a plan's preexisting condition requirements, he or she would not have to meet those requirements again when changing jobs or when the employer changes carriers (see Sec. 21.56.150(2)).

* Premium pricing limits - The bill limits how much insurance companies could vary their rates for groups similar in geography, demography, and plan design. It also limits increases in rates (see Sec. 21.56.120).

Based on model legislation drafted by the National Association of Insurance Commissioners, SSHB 12 would improve the overall fairness and efficiency of the small employer health insurance market. It enjoys support from the National Federation of Independent Business, the Alaska State Chamber of Commerce, the Alaska State Hospital and Nursing Home Association, and other organizations.

Sponsor Statement

ALASKA STATE LEGISLATURE

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ECONOMIC TASK
FORCE

REPRESENTATIVE BETTYE DAVIS
DISTRICT 21

M E M O R A N D U M

SUBJECT: Sectional Analysis of SSHB 12

TO: Members, House Health, Education, and Social Services Committee

FROM: Representative Bettye Davis

What follows is a sectional analysis of the above described bill. As a preliminary matter, please note that a sectional analysis of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1 - Purpose.

Section 2 - Adds a new section to AS 21.36 (Trade Practices and Frauds) that prohibits violations of the fair marketing standards established under Sec. 21.56.180.

Section 3 - Excludes AS 21.56 (Small Employer Health Insurance chapter) from the unfair discrimination provision of the Trade Practices and Fraud law (AS 21.36.090).

Section 4 - The five-year sunset provision for Section 3.

Section 5

Sec. 21.56.010 - Creates the Small Employer Health Reinsurance Association as a nonprofit incorporated legal entity and requires membership of all insurers offering health benefit plans in the state.

Sec. 21.56.020 - Establishes the board of directors of the association and provides for specific board representation and organization.

Sec. 21.56.030 - General powers of the association.

Sec. 21.56.040 - Requires the association to submit a plan of operation to the director of the division of insurance. Requires members to comply with the plan and requires the plan to establish certain procedures.

Sectional Analysis

Sec. 21.56.050 - Establishes specific provisions that apply to reinsurance provided by a member to employees or dependents of employees of a small employer. Establishes a methodology for determining premium rates to be charged for reinsuring small employers and individuals covered under this section. Requires the association to report to the director of the division of insurance the association's net loss for the previous calendar year. Requires association to establish a formula by which to make assessments against reinsuring insurers. Sets provisions for determining assessments.

Sec. 21.56.060 - Establishes, in the association, the Health Benefit Plan Committee composed of members representing specific groups. Specifies what the committee must do and allows the committee to recommend certain cost containment features.

Sec. 21.56.070 - Requires the board to issue a report every two years on the effectiveness of the association.

Sec. 21.56.080 - Exempts the association from the Administrative Procedure Act (AS 44.62).

Sec. 21.56.090 - Exempts the association from payment of taxes, except for real or personal property taxes.

Sec. 21.56.100 - Provides immunity from civil actions filed against a member of the association for a negligent act on behalf of the association.

Sec. 21.56.110 - Establishes when an individual or health group benefit plan is subject to AS 21.56 and provides that other laws requiring coverage, reimbursement, utilization, or consideration of a specific health care practitioner do not apply to a health benefit plan provided to a small employer. Treats certain insurers as one insurer for purposes of applying the restrictions on health benefit plans issued under AS 21.56.

Sec. 21.56.120 - Establishes provisions restricting the premium rate for a health benefit plan. Requires small employer insurers to disclose certain information relating to premium rates and health benefit plans. Requires small employer insurers to describe in detail their rating practices and renewal underwriting practices, file an actuarial certification with the director of the division of insurance, and make certain information available to the director upon request. Allows the director to adopt regulations relating to rating practices.

Sec. 21.56.130 - Requires renewability of health benefit plans and provides under what conditions a plan would not be renewable. Prohibits certain small employer insurers who do not renew a health benefit plan from writing a new business in the state for five years. Specifies when provisions apply to an insurer operating in an established geographic service area.

Sec. 21.56.140 - Except as provided under Sec. 21.56.160, requires small employer insurers to offer a basic health benefit plan and a standard health benefit plan. Requires insurers to file health benefit plans with the director of the division of insurance. Allows the director to disapprove those plans that do not comply with AS 21.56.

Sec. 21.56.150 - Requires health benefit plans for a small employer to contain certain provisions.

Sec. 21.56.160 - Exempts a small employer insurer from providing coverage under certain conditions.

Sec. 21.56.170 - Provides when a small employer insurer may cease to do business in the small employer market.

Sec. 21.56.180 - Establishes fair marketing standards for small employer insurers.

Sec. 21.56.190 - Provides for adoption of regulations requiring small employer insurers to reissue terminated coverage.

Sec. 21.56.250 - Definitions.

Section 6 - Provides that a health maintenance organization is subject to the small employer health insurance provisions in AS 21.56.

Section 7 - The five-year sunset provision for Section 6.

Section 8 - Provides that a hospital or medical service corporation is subject to the small employer health insurance provisions contained in AS 21.56.

Section 9 - The five-year sunset provision for Section 8.

Section 10 - Transition section in regards to premium rate restriction.

Section 11 - Transition section in regards to association's plan of operation, a small employer insurer's basic and standard health benefit plans, an insurer's filing net insurance premium earned from certain health insurance plans, and when the Health Benefit Plan Committee shall submit health benefit plans.

Section 12 - Repealer clause for sunset provision.

Section 13 - Five-year sunset of effective date clause.

Section 14 - Effective date.

& Economic Development / POSITION PAPER

Sponsor Substitute for HB 12: **"An Act relating to health insurance for small employers and providing for an effective date."**

The department is neutral on this legislation.

One of the more challenging issues facing this country and Alaska is the ever-increasing number of small employers unable to afford health care insurance. This bill would address small employers who have been unable to purchase health care.

The bill sets up a reinsurance pool for insurers writing small employers health insurance in the state. In order for the bill to be effective, certain provisions have to be met. First, health is not a term defined in Title 21; the appropriate term is disability. Second, the division of insurance cannot be a member of the reinsurance board and be a regulatory agency for the pool. This creates a conflict for the division. The authority of the director should be for approval only and not for appointment. The pool and coverages they provide should be exempt from the mandatory coverages in Title 21. The pool shall be subject to the marketing and financial sections of Title 21. The pool should not be subject to a subsidy from the legislature or exempt from taxation.

Additionally, 21.56.010 should clarify if hospital and medical service corporations and health maintenance organizations, as defined in 21.87 and 21.86, respectively, are included in membership. They are included on the board.

Section 21.56.060 should state that the committee be made up of the members approved in Section 21.56.020. The director should only have the authority to approve so not to cause a conflict. The cross-section of members in Section 21.56.020 is adequate enough to establish the appropriate benefit plan committee and would help expedite selection and implementation of the pool.

Paul Fuhs, Commissioner

3-1-93
Date

dgl094pp.ins

Position Paper- CED

SSHB 12

Small Employer Health Insurance Reform

Highlights

	SSHB 12
Availability	Guaranteed issue Sec. 21.56.140(a)
Group Size	2-25 Sec. 21.56.250(25)
Case Characteristics	Geography, age, sex, and other objective criteria but does not include claim experience, health status, or duration of coverage Sec. 21.56.250(7)
Rating Restrictions	An insurer's rates for similar groups may not vary from applicable index rate by more than 35% Sec. 21.56.120(a)(1)
Transitional Period	3 years Sec. 10. PREMIUM RATE RESTRICTION (page 27, lines 13-28); Sec. 21.56.120(a)(2)

SSHB 12 Highlights

	SSHB 12
Renewal Rating	Trend plus 15% plus changes in case characteristics Sec. 21.56.120(a)(3)
Renewability	Guaranteed renewable except "for cause" Sec. 21.56.130
Whole Groups	Must take whole group Sec. 21.56.150(6)
Continuity of Coverage	Plans must credit the time a person was covered under a previous employer-based plan if the coverage was continuous Sec. 21.56.150(2)
Reinsurance	Mandatory prospective. Insurers must participate in the reinsurance mechanism. Sec. 21.56.010
Reinsurance Price	150% for whole groups 500% for individuals Sec. 21.56.050(b)
Cost Sharing	First $5000 of claims Sec. 21.56.050(a)(5)

	SSHB 12
Assessments	5% of the premium of small employer market Sec. 21.56.050(d)(6)
Industry Rating	A rate factor may not vary by more than 15% from arithmetic average of highest and lowest rate factors associated with all industry classifications. Sec. 21.56.120(a)(6)
Reinsurance Board	9 members selected by participating members, subject to approval by director. At least six members shall be small employer insurers. At least one member shall be insurer principally in small employer market; one principally in large employer market; one to represent a health maintenance organization, one to represent a hospital or medical service corporation. Sec. 21.56.020
Health Benefit Plan Committee	7 members selected by director. Includes representatives of insurers, small employers, employees of small employers, health care providers, and agents or brokers. Sec. 21.56.060(a)

	SSHB 12
Insurers With Restricted Charters, e.g., Fraternal Benefits Organizations	Guarantees issue only to those permitted by charter (e.g., the Lutheran Brotherhood) Sec. 21.56.160(a)(5)

ALASKA STATE

HOSPITAL & NURSING HOME

ASSOCIATION

March 1, 1993

Representative Cynthia Toohey
Co-Chair
Health, Education & Social
Services Committee
House of Representatives
State Capitol
Juneau, AK 99801

Re: Support HB 12; Health Insurance Small Employers

Dear Representative Toohey:

ASHNHA, representing community hospitals and nursing homes across the state supports HB 12, providing for group health insurance for small employers.

The lack of availability and cost of health insurance for small employers are the major reasons many small Alaska businesses do not provide health insurance benefits to themselves or their employees.

We would urge the committee to move ahead in approving HB 12 as a positive step towards reforming Alaska's health care system.

Any health reform proposal can encompass what will be accomplished under HB 12.

Sincerely,

Harlan R. Knudson
President/CEO

cc: Representative Bettye Davis

319 SEWARD STREET #11 • JUNEAU, AK 99801 • (907) 586-1790 • FAX (907) 463-3573

Letter of Support

Medical costs in the U.S. have soared to record-breaking numbers, exceeding many people's ability to pay for quality care. Annually, our national health bill is fast approaching $1 trillion—and 13% of Americans are uninsured.

How serious is the problem? And can the new President make good on his campaign pledge to reduce health-care costs and guarantee affordable health insurance for every American? We asked the pollster Mark Clements to find out. At our request, Clements conducted a national survey of people who were representative of the country by sex, age, race and income. Here is his report.

A PARADE SURVEY FINDS WIDESPREAD URGENCY—AND SOME SKEPTICISM

THE GROWING CRISIS IN HEALTH CARE

Victor Gomez, 38, of Carol Stream, Ill., turned down a new job when it didn't provide health benefits. "I have three kids," he says. "Insurance is very important to me."

BY MARK CLEMENTS

"AMERICANS DESERVE A health-care plan that will bring costs down, that will get tough with the insurance companies and drug companies, that will cover every American, that will put a much greater emphasis on prevention and research." With those words, issued two weeks before his election, Bill Clinton cogently put forth his agenda for health-care reform. But, according to a survey conducted exclusively for PARADE of men and women ages 18 to 75, most Americans—a significant seven of every 10—doubt the new Administration will be able to rein in runaway health spending.

Still, Americans are ready for change: Four out of five want a national health-care policy and guaranteed medical services for all. Two out of every five view health care as "the biggest problem facing the U.S. today," outranking education and crime. For many of us, health costs—which soared to a record-breaking $3160 per man, woman and child in 1992—are already too high to handle. According to PARADE's survey, one American in three did not go to a doctor during the past year for financial reasons.

"A lot of times, I don't take the kids to the pediatrician for routine things, like colds," says Dana Wiele, 34, of Florissant, Mo. Her husband's job as a letter-carrier provides health insurance for their four children, ages 2 to 11, but doesn't cover all charges. "I try to get by with over-the-counter treatments, depending

Doctors' fees, expensive equipment and hospital charges contribute to high costs.

John Medved, 45, of Minneapolis was fortunate: Public assistance paid for his foot surgery last year.

Parade Magazine 2-28-93

"IT'S TIME TO MAKE SENSE OF AMERICA'S HEALTH-CARE SYSTEM, TO BRING COSTS UNDER CONTROL AND TO MAKE OUR FAMILIES AND OUR BUSINESSES SECURE... I WANT IT DONE–NOW."

–President Bill Clinton, on naming the First Lady to head the President's Task Force on National Health Reform

on how things are going that month," says Wiele, who considers herself fortunate compared with others. "I know the heartache my neighbor went through after her husband's company went under, and they lost their insurance. She couldn't get coverage for her pregnancy."

Can we afford it? At times in the last year, say 32% of those surveyed, they did not have enough money for medical or health care. Minorities and low-income families felt the financial squeeze most: More than half of black and Hispanic Americans (52%) and those earning less than $20,000 a year (51%) could not pay for health services at some point in the last 12 months. Cost has become a factor in choosing a doctor for 46% of Americans, especially those ages 18 to 34.

"These findings confirm what Americans have been saying for too long," says Atul Gawande, who worked on health care for Clinton's transition team. "Our nation offers the finest health care in the world, but more and more Americans can't afford it."

According to Kevin Anderson, a consultant for the nonpartisan Alliance for Health Reform in Washington, D.C., "The average American household spent $8000, directly or indirectly, on health care in 1992. That's a big chunk of a family's income, and it's going to get bigger."

How confident are we? Even those who can pay today's medical bills can't help but worry about tomorrow's. About 67% say they are not confident they could afford long-term care at home or in a nursing facility, while 30% are not sure they could handle the costs of an operation or a major illness. About 17% fear they may not have enough cash for routine care, such as regular checkups.

Such worries are most acute for the 35 million Americans estimated to be uninsured. Like 13% of those surveyed, John Medved, 45, a freelance draftsman in Minneapolis, does not have health insurance. He'd like to be able to afford a private policy but considers himself lucky. When he needed surgery to remove a growth on his foot last year, the county public-assistance program helped out. "We've got an excellent program in Minneapolis," says Medved. "I don't know what I would have done if I lived somewhere else."

Almost 80% of Americans want the government to guarantee care for the needy. "We found enormous support for having everyone covered," says Cindy Toth, associate director of opinion research for the Health Insurance Association of America in Washington, D.C. "The support breaks down, though, when you ask what people would be willing to pay in taxes or other ways."

With the nation's health bill zooming toward $1 trillion annually, more people may be worrying about paying their own bills. Like 73% of Americans, Marjorie Roberts, 54, assistant director of public relations at New York Medical College in Valhalla, N.Y., gets health insurance through her job—a benefit she values highly. "I've been laid off," says Roberts, "and I've had jobs that don't provide coverage. I know how hard it is to get insurance on your own."

Nearly 30% of Americans have not changed jobs for fear of losing medical coverage. "I had the opportunity to get another position, but it didn't provide health benefits," says Victor Gomez, 38, of Carol Stream, Ill., who works for Commonwealth Edison. "I have three kids. Insurance is very important to me."

More than four of every five families with health insurance say they are satisfied with their current plans. Gomez, who belongs to an HMO that designates which doctors the patients can choose, is an exception. "You have to go through a real paper chase to change your primary doctor, and sometimes you have to wait a long time for an appointment," he explains. Yet two out of every three Americans say they'd be willing to go to doctors specified by an insurance company if it would lower costs.

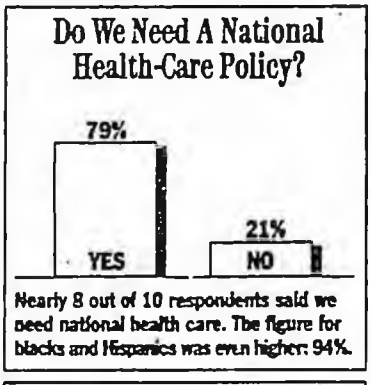
Among those covered by Medicare or Medicaid, 87% believe they receive the same treatment from doctors as do private patients. However, 22% report having been turned away by a doctor because of their insurance status. Among blacks and Hispanics, the percentage refused care is twice as high. A slim majority (54%) of those surveyed say that everyone over 65, including the very wealthy, should be eligible for Medicare.

Why does health care cost so much? Americans blame many factors, including hospital charges, malpractice suits (four out of five would like to see a cap on settlement amounts), doctors' fees, expensive medical equipment and technology, and the cost of caring for those without health insurance. The elderly single out prescription drug prices as the No. 1 culprit in driving up health costs.

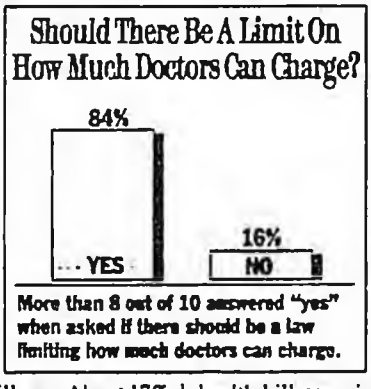
At 72, Beatrice Pace of Cincinnati remembers a time when cost wasn't a barrier to care: "Fifty years ago, I barely had 9 cents for the streetcar, but I could take my two children to a clinic for all their shots and wonderful free care. Now I read that a single shot is $50. People want to take care of their children, but they can't afford to." Like 84% of Amer-

continued

President Clinton has pledged to cut health costs and guarantee health insurance to all. Last month, he appointed Hillary Rodham Clinton (lower right) to head health-reform panel.



Nearly 8 out of 10 respondents said we need national health care. The figure for blacks and Hispanics was even higher: 94%.



More than 8 out of 10 answered "yes" when asked if there should be a law limiting how much doctors can charge.

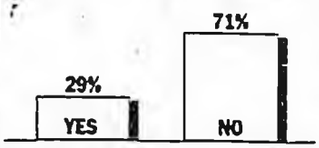
Make Your Voice Heard

Call 1-900-773-1200 if you would like to answer the following questions. The charge is 75 cents per call. Please use touch-tone phones only. To participate, call between 8 a.m. EST on Saturday, Feb. 27, and midnight EST on Wednesday, March 3. Please be prepared to answer promptly. Parade will publish the results.

1. **Should the government limit how much doctors can charge?**
   Press 1 for YES, press 3 for NO.
2. **Should doctors be salaried workers?**
   Press 1 for YES, press 3 for NO.
3. **To save money, would you go only to those doctors approved by an insurance plan?**
   Press 1 for YES, press 3 for NO.
4. **Should Medicare cover those who can afford to pay on their own?**
   Press 1 for YES, press 3 for NO.
5. **Do you believe the Clinton team will fix our health-care system?**
   Press 1 for YES, press 3 for NO.
6. **Please touch-tone in your age.**

Call 1-900-773-1200

Do You Think The Clinton Administration Will Be Able To Control Health-Care Costs?



About 7 out of 10 respondents doubt that the new Administration can limit health costs. To voice your views, see box on page 5.

icans, she would like to see legal limits on what doctors can charge.

How our system ranks. While the U.S. spends more of its gross domestic product on health than other industrialized nations (14%, compared with less than 7% in Japan), it ranks below many nations on key health indicators, such as infant mortality and life expectancy. Yet Americans give our health-care system better marks than some experts feel it deserves.

More than 75% of those surveyed rate our health-care system as average or better; 20% feel it's one of the world's best. The more money Americans make, the more positively we view our health-care system. Among those earning $75,000 or more, 54% rate U.S. health care as one of the best or above average, compared with just 36% of those in low-income brackets. And we give the highest ratings to our own physicians. More than 90% are satisfied with their doctors' quality of care, knowledge and bedside manner.

"Americans feel content with their current circumstances, but they worry about the future," observes Kevin Anderson of the Alliance for Health Reform. "People realize they're just a pink slip away from falling through the cracks."

But we aren't expecting miracles. The fact that 71% of those surveyed doubt that the new Administration can bring down health costs indicates that "they know it won't be easy," says Judy Feder, a member of the President's Task Force on National Health Reform, which is headed by First Lady Hillary Rodham Clinton. "These problems didn't appear overnight, and they won't disappear overnight." ■

PARADE's study was conducted in December by mail by the independent firm of Mark Clements Research, Inc. The overall sample was selected to conform to the latest available U.S. Census data for men and women ages 18 to 75. The 2512 responses—representing nine geographic divisions by age, household income and household size—were then weighted to the latest Census data for age, race and household income. This report was prepared with the assistance of and additional reporting by Dianne Hales and data analysis by Pat DePietto.

In coming weeks, Mark Clements will report on PARADE's national surveys on law and order and on education.

SMALL EMPLOYER MARKET REFORMS

Pre-1991

Comprehensive Package
states which have enacted a comprehensive, or near-comprehensive small employer package

Connecticut (1990)†
Hawaii (1974)

Partial Package
*states which have enacted select precepts of small employer market reform**

Georgia (1990)

1991

Comprehensive Package
passed in 1991

Massachusetts
North Carolina†
Oregon
South Carolina‡
Vermont

Partial Package
effective 1991

Colorado
Nebraska
New Mexico
North Dakota
West Virginia

1992

Comprehensive Package
passed in 1992

California
Delaware†
Florida†
Iowa†
Kansas†
Maine
Minnesota
Missouri†
New Hampshire‡
New York
Rhode Island†
Tennessee†
Virginia‡
Wisconsin
Wyoming†

Partial Package
effective 1992

Arkansas
Indiana
Louisiana
South Dakota

Comprehensive Package Proposals
strong prospects for passage in this session

New Jersey
Ohio
Pennsylvania

Other
passed at least one chamber prior to adjournment

Alaska
Arizona
Colorado
Georgia
Idaho
Maryland
Washington

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* For listing of specific precepts, refer to following chart
‡ Does not require insurers to guarantee issue coverage

† Generally follows HIAA/NAIC model
** Awaiting Governor's signature

Small Employer Market Reforms based on NAIC model legislation

	Guaranteed Access	Coverage of Whole Groups	Renewability of Coverage	Continuity of Coverage	Premium Pricing Limits	Ref.*	Year
Arkansas						§23-86-204,205	1992
California						AB 1672	1992
Colorado						§10-8-116.5	1991
Connecticut**						§38a-567	1990
Delaware**						HB 571	1992
Florida**						HB2457/SB2390	1992
Georgia						§33-27-8	1990
Hawaii						HRS §1-51	1974
Indiana						IC 27-8-15	1992
Iowa**						HB 2370	1992
Kansas**						SB 561	1992
Louisiana						H1994/S913,925	1992
Maine						LD 701	1992
Massachusetts						Chapter 176J	1992
Minnesota						HF2800/SF2603	1992
Missouri**						SB 796	1992
Nebraska						LB 419 §23,24	1991
New Hamp.						HB 321/HB 411	1992

Legislation covering this precept has been enacted, or is on Governor's desk

Legislation covering this precept is under serious consideration in the current session (1992)

* *Statutory citations or bill numbers. For states which have enacted partial packages and are presently considering comprehensive reform, the listing refers to the proposed legislation.*

** *Package is substantially similar to the NAIC Model.*

	Guaranteed Access	Coverage of Whole Groups	Renewability of Coverage	Continuity of Coverage	Premium Pricing Limits	Ref.	Year
New Jersey**						AB 757/SB 371	1992
New Mexico						SB 504§5.A,6.A	1991
New York						AB 12350-A	1992
No. Carolina**						§58-50-130	1991
North Dakota						HB 1539	1991
Ohio						HB 478, SB 240	1992
Oregon						SB 1078	1991
Pennsylvania						SB1686 HB2586	1992
Rhode Island**						HB 9011	1992
So. Carolina						§38-71-920-950	1991
South Dakota						SB 229 §3,4	1992
Tennessee**						HB2449/SB2578	1992
Vermont						§4080a	1991
Virginia						SB 505	1992
West Virginia						§33-16D-5,7	1991
Wisconsin						AB 655	1992
Wyoming**						SF 22	1992

Health Insurance Association of America
October 23, 1992

September, 22, 1992

COMPREHENSIVE SMALL EMPLOYER PACKAGES

	CALIFORNIA	CONNECTICUT
Availability	Guaranteed issue of small employer products (group size 5-50 by 7/1/93; 4-50 by 7/1/94; 3-50 by 7/1/95)	Guaranteed issue
Group Size	3-50	1-25
Individual Policies	Individual policies sold to small employers meeting certain requirements are subject to this Act	Insurers may issue individual special health care plans subject to the laws applicable to individual health insurance, provided such policies shall be identical to individual special health care plans made available by the Health Reinsurance Association
Case Characteristics	Includes age (7 categories), geography (9 regions), family composition (4 categories), and plan design which are used to determine the standard employee risk rate	Appears to include everything except claims experience
Rating Restrictions	Premium rates may not vary from the standard employee risk rate by more than 120% nor less than 80% until July 1, 1996, effective July 1, 1996, premium rates may not vary from the standard employee risk rate by more than 110% nor less than 90%	Premium rates may not exceed 200% of the lowest new business rate for the same or similar case characteristics
Transitional Period	See above	5 years; after July 1, 1995, rating restrictions will be applied to plans issued prior to July 1, 1990
Renewal Rating	10% permitted for risk adjustment factors; renewal rates are effective for at least six months	Trend plus 20% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Carriers are required to take the whole group	Cannot exclude eligible employees or dependents on the basis of an actual or expected health condition
Continuity of Coverage	Preexisting condition limitation of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods; if employment is terminated or employer's contribution toward the coverage has terminated, there is a 90-day period allowed for continuity of coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods
Reinsurance type	Prospective/with opt out	Prospective/mandatory (effective May 1, 1991)
Reinsurance Price	No provision	Whole Group: 150% Individual: 500%
Cost Sharing	No provision	$5000 for all plans except those which supplement the basic hospital or hospital surgical plans, in which case the deductible is $2000
Assessments	No cap	(1) Apportioned among all members in proportion to their respective shares of the total premiums earned from small group plans, (2) apportioned among all members in proportion to their respective shares of total premiums earned from other plans; members' assessments cannot exceed 40% of the total assessment for the first year; 50% for the second
Other	Establishes a purchasing pool for small employers	
Effective Date	July 1, 1993, but see phase-in effective dates above	July 1, 1990

	DELAWARE	FLORIDA
Availability	Guaranteed issue (groups of 2-25)	Guaranteed issue with cap (group size 3-25)
Group Size	1-25	1-25
Individual Policies	Does not apply to individual health policies	With regard to rating and renewability provisions, does not apply to individual policies if the insurer certifies to the department that the policy was issued in good faith with no knowledge or intent that the policy is paid by or the premiums are reimbursed by a small employer
Case Characteristics	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics; small employer carrier shall not use characteristics other than age, gender, industry, geographic area, family composition, unhealthy lifestyle choices, and group size without prior approval of Commissioner	Demographic or other objective characteristics of small employer as considered by carrier in determination of premiums; Claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar benefit plans shall not vary from the index rate by more than 35%, with an additional combined variation of no more than 10% for gender and geography, and the actuarially justified adjustment for age and family composition, provided that the carrier file age and family composition tables with the Commissioner	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	For plans delivered or issued for delivery prior to the effective date of this chapter, a premium rate may have a one-year transition period	5 years
Renewal Rating	Trend plus 15% plus changes in case characteristics	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Carriers must offer coverage to all eligible employees and dependents	Carriers must offer coverage to all eligible employees and dependents
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 60 days prior to the new coverage, exclusive of applicable waiting periods	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods
Reinsurance type	Prospective/with an opt-out	Prospective/with an opt-out
Reinsurance Price	Whole Group: 150% Individual: 500%	Whole Group: 150% Individual: 500%
Cost Sharing	$5,000 plus 10% of the next $50,000	$5000 per year plus 10% of incurred claims during a calendar year
Assessments	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans	1st tier: an amount not to exceed 5% of small employer premiums; 2nd tier, if necessary: an amount not to exceed .5% of premiums collected on all health benefit plans issued by small and large group carriers
Other	Allows reinsurance of existing business	Carriers paying 2nd tier assessments will receive a credit for assessments paid to the Florida Risk Pool
Effective Date	January 4, 1993	October 1, 1992 (rating & renewability provisions 10/1/91)

	HAWAII	IOWA
Availability	State run, employment based program; all residents are eligible	Guaranteed issue
Group Size	No provision	1-25; however, must have at least 2 participating employees at the date of issue of health benefit plan
Individual Policies	No provision	Does not apply to individual policies which are subject to policy form and premium rate approval
Case Characteristics	No provision	Case characteristics include age, industry classification, geographic area, family composition, and group size; gender may be used provided the insurance division has conducted an independent, actuarial study that determined use of gender to be actuarially justified; other case characteristics shall not be used without prior approval of commissioner
Rating Restrictions	No provision	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	No provision	3 years
Renewal Rating	No provision	Trend plus 15% plus changes in case characteristics
Renewability	No provision	Guaranteed renewable except "for cause"
Whole Groups	No provision	Must offer to whole group, except as permitted with regard to late enrollees
Continuity of Coverage	No provision	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods
Reinsurance Type	No provision	Prospective/with an opt-out
Reinsurance Price	No provision	Whole Group: 150% Individual: 500%
Cost Sharing	No provision	$5,000 and 10% of the next $50,000 of incurred claims during a calendar year; liability maximum of $10,00 in any one calendar year with respect to any reinsured individual
Assessments	No provision	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; amount shall be 5% of total premiums earned in previous year from small employer plans
Other	Employees required to pay 1.5% of wages, or half the premium whichever is less; employers provide the balance for each employee working more than 20 hours per week; dependent coverage is optional; unemployed residents above poverty level pay a small fee for doctor visits and a portion of the premium with the remainder being funded by the State; poor are covered by Medicaid	
Effective Date		

	KANSAS	MAINE
Availability	Guaranteed issue (group size: 3-25)	Guaranteed issue
Group Size	1-25	1-24
Individual Policies	Individual policies issued to individuals and dependents totally independent of any group, association, or trust arrangement shall not be subject to this Act	No provision
Case Characteristics	Case characteristics include the geographic area, age and sex, industry classification, number of employees and dependents, family composition, and other objective criteria as may be approved by the commissioner; claims experience, health status, and duration of coverage are not case characteristics	A carrier may not vary the premium rate due to the health status, claims experience or policy duration of the eligible group; age, gender, industry, and geography within the bands; family status, smoking status, participation in wellness programs, and group size may be used outside rate bands
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%	Premium rates for age, gender, industry, and geographic area may not vary by +/- 50% of the community rate until 7/14/94, +/- 33% of the community rate until 7/14/95, +/- 20% of the community rate until 7/14/96, +/- 10% of the community rate until 7/14/97, and 0% of the community rate by 7/14/97; restrictions are repealed 7/14/94 unless continued or modified
Transitional Period	3 years	None
Renewal Rating	Trend plus 15% plus changes in case characteristics	No provision
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Prohibits carrier from excluding any employee or dependent on the basis of an actual or expected health condition	(1990 - applies to all groups) Prohibits carriers from excluding any person from group; all new eligible employees must be added; may reject group until guaranteed issue is effective
Continuity of Coverage	Preexisting condition limitations of 12 months and waiting periods not to exceed one year; waiting periods may be waived if individual was covered by a group policy prior to the effective date of coverage with no gap in coverage	(1990 - applies to all groups) Requires continuity for any person eligible for coverage in prior 3 months in a group replacement situation or for person moving from individual to group or group-to-group coverage; limit on 10% on premium rate increases for preexisting conditions during first 12 months of employment; preexisting condition limitations of 6 months for individual policies, except up to 24 months for any condition that as of the effective date of coverage requires ongoing medical treatment
Reinsurance Type	Prospective/with an opt-out	Requires the Bureau of Insurance to report to the Banking and Insurance Committee on or before January 1, 1993, on reinsurance models with opt-out
Reinsurance Price	To be established by the reinsurance board	No provision
Cost Sharing	$10,000 plus 10% of the next $50,000; maximum in one calendar year shall not exceed 20% of total premiums	No provision
Assessments	Not to exceed 5% of small employer plan premiums; second tier not to exceed 1% of total premium upon which assessment is based	No provision
Other	Must reinsure the entire group; all carriers, whether reinsuring or not, subject to second tier assessment	Marketing standards; superintendent will develop standardized plans
Effective Date	July 1, 1992	July 15, 1993 (for rating and guaranteed issue)

	MASSACHUSETTS	MINNESOTA
Availability	Guaranteed issue; however, until December 31, 1994, a carrier can limit the guaranteed issue requirement to 90 consecutive days a year; certain association groups are exempted from all but the reinsurance portion of the bill	Guaranteed issue of all products sold in small employer market
Group Size	1-25	2-29
Individual Policies	Does not apply to individual policies	All provisions except guaranteed issue apply to individual policies
Case Characteristics	Age, sex, rate basis type, industry, number of eligible persons, and participation rate of a group	Relevant characteristics of small employer as determined by carrier in determination of premiums; claims experience, health status, industry, duration of coverage, and gender are not case characteristics
Rating Restrictions	Premium rates are limited to a 2-1 rate band; however, the following adjustments are permitted outside that band: benefit level, geography +/- 20%, group size +/- 5%, wellness discount -5%, phase out adjustment for experience and duration rating on existing business to reach +/- 15% by 12/31/94, age +/- 33% until 12/31/93	Rates must not vary by more than +/- 25% of the index rate for same or similar coverage; inside the rating band, variations can be based only on health status (includes refraining from tobacco use or other actuarially valid lifestyle factors), claims experience, industry, and length of time employer has been covered; adjustments outside the band: age +/- 50%, geography +/- 20%, rate cells are permitted based on number of adults and children covered under the policy
Transitional Period	Phase out of rating restrictions	None
Renewal Rating	Trend plus 10% plus changes in case characteristics	No provision
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Prohibits policies from excluding eligible employees or eligible dependents on the basis of an actual or expected health condition of such person	Application must include all eligible employees
Continuity of Coverage	Preexisting condition exclusion of 6 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage and if previous coverage was reasonably actuarially equivalent to new coverage	Preexisting condition exclusion of 12 months; requires credit for time covered under qualifying prior coverage; permits 18 month preexisting condition limitation for late entrants
Reinsurance Type	Prospective/mandatory for commercials	prospective/with an opt-out
Reinsurance Price	Whole Groups: 150% Individuals: 500%	Whole Groups: 150% Individuals: 500%
Cost Sharing	$5,000	$5,000, plus 10% of the next $50,000
Assessments	5% of small employer premiums; if inadequate, other funding sources will be recommended	Initially, $100; in addition, not to exceed 4% of the member's small group market premium (if it is determined that premium charges are insufficient to cover the losses)
Other		Loss ratios: initially 65% for individual policies, 75% for group policies; increases by 1% per year to 70% and 80%, respectively
Effective Date	April 1, 1992	Most provisions July 1, 1993

	MISSOURI	NEW HAMPSHIRE
Availability	Guaranteed issue	No provision
Group Size	3-25	2-50
Individual Policies	No provision	Does not apply to individual health policies which are subject to policy form and premium rate approval
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%	Rates charged during a rating period to small employers with similar case characteristics for same or similar coverage shall not vary from the index rate by more than 30%
Transitional Period	3 years	5 years
Renewal Rating	Trend plus 15% plus changes in case characteristics	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Insurer must cover the whole group	Insurer must cover the whole group
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods	Preexisting condition limitations consistent with insurance department rules
Reinsurance Type	Prospective/mandatory with an opt-out after three years	No provision
Reinsurance Price	Whole Group: 150%	No provision
Cost Sharing	$5,000 plus 10% of the remaining incurred claims; maximum limit of $25,000	No provision
Assessments	Formula to be set by Board but must be 50% - 150% of carrier's proportional share of all reinsuring carriers' small employer premiums; maximum amount shall be 5% of total premiums earned in previous year from small employer plans	No provision
Other		
Effective Date	Guaranteed issue and continuity of coverage provision effective July 1, 1994; all other sections effective July 1, 1993	January 1, 1993

	NEW YORK	NORTH CAROLINA
Availability	Continuous open enrollment (guaranteed issue)	Guaranteed issue
Group Size	3-50 for open enrollment	3-25
Individual Policies	Must be community rated and must be offered through open enrollment	Does not apply to individual health policies
Case Characteristics	Prohibits the use of age, sex, health status, or occupations; geography is permitted on a county-wide (or larger) basis; Since not prohibited, presumably group size, participation, wellness, and other case characteristics are permitted	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	No statutory restrictions on permitted case characteristics, but Department has rate approval authority for initial rates	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 25%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 35%
Transitional Period	The one-year delay in effective date is viewed as the transition period	3 years
Renewal Rating	Prior rating approval; beginning April 1, 1994, rates shall be deemed approved if policy has an anticipated loss ratio of not less than 75%	Trend plus 15% plus changes in case characteristics
Renewability	Coverage may not be terminated due to claims experience	Guaranteed renewable except "for cause"
Whole Groups	Carriers must offer coverage to all employees and their dependents	No provision
Continuity of Coverage	Plans must credit the time a person was covered under previous health insurance plan or benefit arrangement if the previous coverage was continuous to a date not more than 60 days prior to the effective date of new coverage	Preexisting condition limitation of 12 months; credit shall be given if a person was covered under qualifying previous coverage if previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods
Reinsurance Type	Regulations shall include reinsurance or pooling process designed to share the risk of high claims costs; cost variations based on demographic factors and possible adverse selection	Prospective/with an opt-out
Reinsurance Price	No provision	Whole Group: 150% Individual: 500%
Cost Sharing	No provision	$5,000 plus 10% of the next $50,000
Assessments	No provision	First 3 years: 50% - 150% of amount it would have been had assessments been based on proportional relationship of small carrier's total premiums; not to exceed 4%
Other	1 and 2 live employers must be classified in either the individuals or small groups rating category by the insurer	
Effective Date	Community rating and open enrollment take effect April 1, 1993; continuity of coverage takes effect January 1, 1993	January 1, 1992

	OREGON	RHODE ISLAND
Availability	Guaranteed issue	Guaranteed issue (groups of 3-25)
Group Size	3-25	1-50
Individual Policies	Applies to individual policies providing health benefits covering one or more employees of a small employer; provisions of OR 742.005 do not apply to individual policies subject to this law	Does not apply to individual health policies.
Case Characteristics	Geography and differences in family size and composition	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	Premium rates may not vary from the geographic average rate by more than 33% except that the premium rate may be adjusted to reflect the provision of additional benefits not covered by the basic health care plan and differences in family size and composition	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	Effective on the date the reinsurance pool becomes operational	3 years
Renewal Rating	Trend plus 15% plus adjustments to reflect provision of benefits not required to be covered by basic health care plan	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Prohibits carriers from excluding individuals on the basis of actual or expected health condition	Carriers are required to take the whole group
Continuity of Coverage	Preexisting condition limitation of 6 months; credit shall be given if the person was covered under a previous group or individual plan if the previous coverage was continuous 30 days prior to the new coverage, exclusive of applicable waiting periods	Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits.
Reinsurance Type	Prospective/with an opt-out	Prospective/with an opt-out
Reinsurance Price	Existing business: none Whole Group: 150% Individual: 300%	Whole Group: 150% Individual: 500%
Cost Sharing	$5,000 plus 15% of the next $100,000	First $5,000 of reinsured claims
Assessments	Maximum assessment is 4% of small employer premium plus 1% of members' total health insurance premiums	5% of total premiums earned in small employer market
Other		Standard and economy health benefit plans are included within the law and are based on Rhode Island's low-cost limited mandated benefit law. Copayment, deductibles, and coinsurance are outlined.
Effective Date	On or after the date the Oregon Small Employer Reinsurance Pool becomes operational	July 21, 1992

	SOUTH CAROLINA
Availability	No provision
Group Size	1-25
Individual Policies	Does not apply to individual health policies subject to policy form and premium rate approval
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	5 years
Renewal Rating	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"
Whole Groups	Prohibits carriers from excluding any individual from the group; however, in groups of 10 or less, evidence of individual insurability may be required
Continuity of Coverage	Preexisting condition limitations of 12 months; credit shall be given for time served under a prior plan if the coverage is selected when the person first becomes eligible and the coverage is continuous; service waiting periods are not considered to interrupt continuous service
Reinsurance Type	No provision
Reinsurance Price	No provision
Cost Sharing	No provision
Assessments	No provision
Other	
Effective Date	January 1, 1992

	TENNESSEE	VERMONT
Availability	Guaranteed issue	Guaranteed issue
Group Size	3-25	1-49
Individual Policies	Does not apply to individual policies	May not offer a health benefit plan or insurance policy to individual employees or members of a small group as a means of circumventing the act
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics	The following risk classification factors are prohibited: demographic rating, including age and gender, geographic area rating, industry rating, medical underwriting and screening, experience rating, tier rating, or durational rating; Commissioner may by rule permit carriers to use one or more risk classifications
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 25%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 35%	Premiums may not deviate by more than +/- 20% of the community rate filed by the small employer carrier
Transitional Period	3 years	In force business will not be subject to the provisions of the Act until the later of the date of renewal, anniversary, or July 1, 1992
Renewal Rating	Trend plus 15% plus change in case characteristics	No provision
Renewability	Guaranteed renewable except "for cause"	Must guarantee rates for six months; must guarantee acceptance
Whole Groups	No provision	Carrier must take entire group
Continuity of Coverage	Preexisting condition limitation of 12 months; plans shall credit the time person was covered under a previous group health benefit plan if previous coverage was continuous 30 days prior to the new coverage	Preexisting condition limitation of 12 months; limitation shall be waived if there is evidence of substantially equivalent continuous coverage during previous 9 months
Reinsurance Type	Prospective/with an opt-out	Prospective/mandatory for commercials; participants must guarantee solvency without limitation on a pro-rata basis
Reinsurance Price	Whole Group: 150% Individual: 500%	No provision
Cost Sharing	$5,000 plus 10% of the next $50,000	No provision
Assessments	Capped at 5% of small employer premiums; formula to be set by board but must be 50% to 150% of carrier's proportional share of all reinsuring carriers' small employer premiums	No provision
Other	Guaranteed issue requirement suspended if assessment cap is reached	Participation requirement = 75% of employees; most provisions do not apply to registered carriers who on 1/1/91 and thereafter have written or collected less than $100,000 in annual gross premiums for group health benefit plans
Effective Date	July 1, 1992; January 1, 1993 for preexisting condition and guaranteed renewable provisions	July 1, 1992

	VIRGINIA	WISCONSIN
Availability	No provision	Guaranteed issue
Group Size	2-50	2-25
Individual Policies	No provision	Applies to individual policies
Case Characteristics	No provision	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	No provision	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate
Transitional Period	No provision	3 years
Renewal Rating	No provision	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Prohibits carriers from excluding individuals because of health status	Insurer must offer coverage to the entire group
Continuity of Coverage	Preexisting condition limitation of 12 months; time shall be credited to a person covered under previous individual or group coverage in the small employer market of equal or greater value if coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods	Preexisting condition limitation of 12 months; credit shall be given to individuals who were previously covered by qualifying coverage if the coverage was continuous 30 days prior to the new coverage, exclusive of applicable writing periods
Reinsurance Type	No provision	Reinsurance type and assessments shall be studied by the Health Insurance Board
Reinsurance Price	No provision	No provision
Cost Sharing	No provision	No provision
Assessments	No provision	No provision
Other		
Effective Date	July 1, 1992	Day after publication

	WYOMING
Availability	Guaranteed issue
Group Size	2-25
Individual Policies	Does not apply to individual policies which are subject to approval for policy form
Case Characteristics	Relevant demographics of small employer as considered by carrier in determination of premiums; claims experience, health status, and duration of coverage are not case characteristics
Rating Restrictions	Index rate for one class of business shall not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	3 years
Renewal Rating	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"
Whole Groups	Insurers are required to offer coverage to the entire group
Continuity of Coverage	Preexisting condition limitation of 12 months; credit shall be given for time person was previously covered if previous coverage was continuous 30 days prior to new coverage, exclusive of applicable waiting periods, or for a person who become unemployed and are provided coverage if the person obtains employment and coverage within 60 days
Reinsurance Type	Prospective/mandatory
Reinsurance Price	Whole Group: 150% Individual: 500%
Cost Sharing	$5,000
Assessments	Not to exceed 5% of the total small group premiums
Other	
Effective Date	No earlier than March 31, 1993

COMPREHENSIVE SMALL EMPLOYER PACKAGES

	HIAA	NAIC
Availability	Guaranteed issue	Guaranteed issue (groups of 3-25)
Group Size	3-25	1-25
Individual Policies	Individual policies sold to small employer subject to Act; however, if state has effective rate regulation, the rating requirements do not apply	Does apply to individual policies; although drafting note says that states may wish to consider exempting individual health policies from the rating provisions
Case Characteristics	Geography, age, sex, size of employer, and other objective criteria; but does not include claims experience, health status, or duration of coverage	Small employer carriers may not use case characteristics other than age, gender, industry, geographic area, family composition, and group size without prior approval of Commissioner
Rating Restrictions	Premium rates for small employer plans with similar case characteristics may not vary from the midpoint rate for those small employers by more than 35% of that midpoint rate	Index rate for one class of business may not exceed the index rate for any other class of business by more than 20%; for a class of business, the premium rates charged small employers with similar case characteristics shall not vary from the index rate by more than 25%
Transitional Period	3 years	3 years
Renewal Rating	Trend plus 15% plus changes in case characteristics	Trend plus 15% plus changes in case characteristics
Renewability	Guaranteed renewable except "for cause"	Guaranteed renewable except "for cause"
Whole Groups	Carriers must take the entire group	Carriers must take the entire group
Continuity of Coverage	Plans must credit the time a person was covered under a previous employer-based plan if coverage was continuous.	Plans must credit the time a person was covered by qualified previous coverage provided the coverage was continuous; qualified previous coverage is defined as Medicare, Medicaid, employer-based health insurance, or individual insurance providing similar or exceeding benefits
Reinsurance Type	Prospective/mandatory	Individual states will determine whether to make participation in reinsurance mandatory or voluntary
Reinsurance Price	Whole Group: 150% Individual: 500%	Whole Group: 150% Individual: 500%
Cost Sharing	None	First $5000 of reinsured claims plus 10% of next $50,000
Assessments	4% of the premium of small employer market net of reinsurance premiums paid	5% of the premium of the small employer market
Other	Carriers may reinsure existing business and new adds	
Effective Date		

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
NFIB/ALASKA

IN
SUPPORT
OF

HB 12 HEALTH INSURANCE FOR SMALL EMPLOYERS

9159 Skywood Lane
Juneau, AK 99801

The Guardian of
Small Business

NFIB Position Paper

Chairman, members of the Committee, my name is Resa Jerrel, and I am the State Director for the National Federation of Independent Business - NFIB/Alaska. I am happy to be here today in support of HB 12.

BACKGROUND

NFIB/Alaska is comprised of 5,000 small and independent business owners. The legislative agenda of NFIB/Alaska is determined by our ballot. The ballot is our annual poll of our members on a series of issues deemed critical to small business. A majority vote, of the members in response to the poll, sets our policy and position on legislative issues.

For the record the following are the results of the 1991 NFIB/Alaska ballot questions regarding health insurance:

> Should legislation be passed in order to create a voluntary health insurance plan which would be administered by private insurance companies and which would pool small businesses together so they could purchase employee health insurance at group rates?
>
> Yes 72% No 17% Undecided 11%
>
> If this pooling of employers in order to purchase health insurance was available, would you participate?
>
> Yes 50% No 19% Undecided 31%
>
> Should employers be allowed the option of having their employees pay part of the premium cost of health insurance purchased through the above pooling plan?
>
> Yes 90% No 5% Undecided 5%

The NFIB Foundation Survey nationwide first found health insurance listed as a key concern for small business in 1986 when it was cited as the number one problem for small business owners out of 75 potential problem. Again in 1990, 92% of small business owners characterized health insurance as a "serious problem". The NFIB Foundation recently released Survey, Problems and Priorities, it listed the cost of health insurance as still the number one problem. No other difficulty was close. Sixty-one (61) percent ranked the problem "critical," the most extreme assessment it could be given.

On 1992 ballot we asked our members in Alaska to choose from eleven (11) problem areas - the most costly or burdensome problem

they faced - the top two were: #1 workers compensation cost and, #2 health insurance for employees.

Further surveys have found that small business owners want to offer health insurance as a fringe benefit out of both a sense of family obligation and competitive necessity.

The ability of the small business owner to provide insurance is greatly influenced by the high costs of premiums and profitability of the business. For many small business the skyrocketing annual premium increases, small profit margins, struggling regional economies, and restricted cash flow all contribute to the increasing difficulty small business owners have in purchasing health insurance. If the cost of purchasing or continuing to provide health insurance continues increasing, small business owners will be forced to increase employee contributions, cut benefits, raise deductibles or in some cases drop coverage altogether.

Small business are most severely impacted by adverse selection, the demographics of the work force of small business (such as, age and gender of employees and the hours they work), higher employee turnover resulting in unpredictable participation rates, and a lack of expertise and clout in purchasing plans. By virtue of their size, small bushinesses have very little access to cost containment mechanisms available to large firms such as self-insurance. Being unable to obtain the benefits of self-insurance they must comply with expensive state mandates, pay state premium taxes and shoulder a larger portion of the carrier's administrative expenses.

SMALL BUSINESS MARKET REFORM

Small business owners desire to build on the existing health care system. HB 12 is a voluntary health insurance program to provide more accessibility, renewability, predictability and stability for small businesses. It is a viable means of providing health insurance to the uninsured population in Alaska.

State mandates cumulatively can raise the cost of health insurance for small businesses. HB 12 has a provision that state mandates do not apply to health benefit plans provided to small employers. This will allow the insurance industry to design and market affordable health insurance policies. A lower cost plan would have great appeal to firms that currently do not offer health insurance coverage. Small businesses are willing to provide health insurance to employees, as long as the cost is not prohibitive.

It also, requires the small employer insurers to disclose information relating to premium rates and health benefit plans. It requires insurers to describe in detail their rating practices and renewal underwriting practices. Providing this information will help small business owners to be better informed. The Congressional Budget Office believes that "giving consumers the information they need to make more informed decisions might enhance both the quality and cost-effectiveness of care."

Thank you for the opportunity to comment on this legislation. NFIB/Alaska has and will continue to support this and other legislation that will help make privately administered health insurance more available and affordable for small businesses.