



General Assembly

Substitute Bill No. 480

February Session, 2004

* SB00480INS 030504 *

**AN ACT CONCERNING ADMINISTRATIVE COST SAVINGS UNDER
SMALL EMPLOYER HEALTH PLANS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (27) of section 38a-564 of the general statutes
2 is repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2004*):

4 (27) "Case characteristics" means demographic or other objective
5 characteristics of a small employer, including age, sex, family
6 composition, location, size of group, administrative cost savings
7 realized by an association group plan or a plan written pursuant to
8 section 5-259, as amended, and industry classification, as determined
9 by a small employer carrier, that are considered by the small employer
10 carrier in the determination of premium rates for the small employer.
11 Claim experience, health status, and duration of coverage since issue
12 are not case characteristics for the purpose of sections 38a-564 to 38a-
13 572, inclusive, as amended.

14 Sec. 2. Subdivision (5) of section 38a-567 of the general statutes is
15 repealed and the following is substituted in lieu thereof (*Effective July*
16 *1, 2004*):

17 (5) (A) With respect to plans or arrangements issued on or after July
18 1, 1995, the premium rates charged or offered to small employers shall

19 be established on the basis of a community rate, adjusted to reflect one
20 or more of the following classifications:

21 (i) Age, provided age brackets of less than five years shall not be
22 utilized;

23 (ii) Gender;

24 (iii) Geographic area, provided an area smaller than a county shall
25 not be utilized;

26 (iv) Industry, provided the rate factor associated with any industry
27 classification shall not vary from the arithmetic average of the highest
28 and lowest rate factors associated with all industry classifications by
29 greater than fifteen per cent of such average, and provided further, the
30 rate factors associated with any industry shall not be increased by
31 more than five per cent per year;

32 (v) Group size, provided the highest rate factor associated with
33 group size shall not vary from the lowest rate factor associated with
34 group size by a ratio of greater than 1.25 to 1.0; [and]

35 (vi) Administrative cost savings realized by an association group
36 plan or a plan written pursuant to section 5-259, as amended, that (I)
37 reduce overall risk retention, and (II) are measurable and specifically
38 realized by the plan or association for items such as commissions,
39 marketing, billing or claims processing functions; and

40 [(vi)] (vii) Family composition, provided the small employer carrier
41 shall utilize only one or more of the following billing classifications:
42 [(a)] (I) Employee; [(b)] (II) employee plus family; [(c)] (III) employee
43 and spouse; [(d)] (IV) employee and child; [(e)] (V) employee plus one
44 dependent; and [(f)] (VI) employee plus two or more dependents.

45 (B) The small employer carrier shall quote premium rates to small
46 employers after receipt of all demographic rating classifications of the
47 small employer group. No small employer carrier may inquire
48 regarding health status or claims experience of the small employer or

49 its employees or dependents prior to the quoting of a premium rate.

50 (C) The provisions of subparagraphs (A) and (B) of this subdivision
51 shall apply to plans or arrangements issued on or after July 1, 1995.
52 The provisions of subparagraphs (A) and (B) of this subdivision shall
53 apply to plans or arrangements issued prior to July 1, 1995, as of the
54 date of the first rating period commencing on or after that date, but no
55 later than July 1, 1996.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>
Sec. 2	<i>July 1, 2004</i>

INS *Joint Favorable Subst.*