



House of Representatives

File No. 832

General Assembly

January Session, 2005

(Reprint of File No. 762)

Substitute House Bill No. 6655
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
June 3, 2005

**AN ACT CONCERNING GROUPS COVERED UNDER THE STATE
EMPLOYEE HEALTH PLAN AND ASSOCIATION GROUP PLANS.**

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

1 Section 1. Subsection (i) of section 5-259 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (i) The Comptroller may provide for coverage of employees of
5 municipalities, nonprofit corporations, community action agencies and
6 small employers and individuals eligible for a health coverage tax
7 credit, retired members or members of an association for personal care
8 assistants under the plan or plans procured under subsection (a) of this
9 section, provided: (1) Participation by each municipality, nonprofit
10 corporation, community action agency, [or] small employer, [or]
11 eligible individual, retired member or association for personal care
12 assistants shall be on a voluntary basis; (2) where an employee
13 organization represents employees of a municipality, nonprofit
14 corporation, community action agency or small employer,
15 participation in a plan or plans to be procured under subsection (a) of

16 this section shall be by mutual agreement of the municipality,
17 nonprofit corporation, community action agency or small employer
18 and the employee organization only and neither party may submit the
19 issue of participation to binding arbitration except by mutual
20 agreement if such binding arbitration is available; (3) no group of
21 employees shall be refused entry into the plan by reason of past or
22 future health care costs or claim experience; (4) rates paid by the state
23 for its employees under subsection (a) of this section are not adversely
24 affected by this subsection; (5) administrative costs to the plan or plans
25 provided under this subsection shall not be paid by the state; (6)
26 participation in the plan or plans in an amount determined by the state
27 shall be for the duration of the period of the plan or plans, or for such
28 other period as mutually agreed by the municipality, nonprofit
29 corporation, community action agency, small employer, retired
30 member or association for personal care assistants and the
31 Comptroller; and (7) nothing in [public act 03-6 of the June 30 special
32 session*] this section or section 12-202a, as amended by this act, 38a-
33 551, 38a-553 or 38a-556 shall be construed as requiring a participating
34 insurer or health care center to issue individual policies to individuals
35 eligible for a health coverage tax credit. The coverage provided under
36 this section may be referred to as the "Municipal Employee Health
37 Insurance Plan". The Comptroller may arrange and procure for the
38 employees and eligible individuals under this subsection health benefit
39 plans that vary from the plan or plans procured under subsection (a) of
40 this section. Notwithstanding any provision of [law] part V of chapter
41 700c, the coverage provided under this subsection may be offered [to
42 employees] on either a fully underwritten or risk-pooled basis at the
43 discretion of the Comptroller. [, except that coverage offered to small
44 employers shall be fully underwritten in accordance with part V of
45 chapter 700c.] For the purposes of this subsection, (A) "municipality"
46 means any town, city, borough, school district, taxing district, fire
47 district, district department of health, probate district, housing
48 authority, regional work force development board established under
49 section 31-3k, regional emergency telecommunications center, tourism
50 district established under section 32-302, flood commission or

51 authority established by special act, regional planning agency, transit
52 district formed under chapter 103a, or the Children's Center
53 established by number 571 of the public acts of 1969; (B) "nonprofit
54 corporation" means (i) a nonprofit corporation organized under 26
55 USC [501(c)(3)] 501 that has a contract with the state or receives a
56 portion of its funding from a municipality, the state or the federal
57 government, or (ii) an organization that is tax exempt pursuant to 26
58 USC 501(c)(5); (C) "community action agency" means a community
59 action agency, as defined in section 17b-885; (D) "small employer"
60 means a small employer, as defined in subparagraph (A) of
61 subdivision (4) of section 38a-564, as amended by this act; (E) "eligible
62 individuals" or "individuals eligible for a health coverage tax credit"
63 means [persons] individuals who are eligible for the credit for health
64 insurance costs under Section 35 of the Internal Revenue Code of 1986,
65 or any subsequent corresponding internal revenue code of the United
66 States, as from time to time amended, in accordance with the Pension
67 Benefit Guaranty Corporation and Trade Adjustment Assistance
68 programs of the Trade Act of 2002 (P.L. 107-210); [and] (F) "association
69 for personal care assistants" means an organization composed of
70 personal care attendants who are employed by recipients of service (i)
71 under the home-care program for the elderly under section 17b-342, (ii)
72 under the personal care assistance program under section 17b-605a,
73 (iii) in an independent living center pursuant to sections 17b-613 to
74 17b-615, inclusive, or (iv) under the program for individuals with
75 acquired brain injury as described in section 17b-260a; and (G) "retired
76 members" means individuals eligible for a retirement benefit from the
77 Connecticut municipal employees' retirement system.

78 Sec. 2. Section 12-202a of the general statutes is repealed and the
79 following is substituted in lieu thereof (*Effective July 1, 2005, and*
80 *applicable to income years commencing on or after January 1, 2005*):

81 (a) Each health care center, as defined in section 38a-175, that is
82 governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to
83 the Commissioner of Revenue Services for the calendar year

84 commencing on January 1, 1995, and annually thereafter, at the rate of
85 one and three-quarters per cent of the total net direct subscriber
86 charges received by such health care center during each such calendar
87 year on any new or renewal contract or policy approved by the
88 Insurance Commissioner under section 38a-183. Such payment shall be
89 in addition to any other payment required under section 38a-48.

90 (b) Notwithstanding the provisions of subsection (a) of this section,
91 the tax shall not apply to:

92 (1) Any new or renewal contract or policy entered into with the state
93 on or after July 1, 1997, to provide health care coverage to state
94 employees, retirees and their dependents;

95 (2) [any] Any subscriber charges received from the federal
96 government to provide coverage for Medicare patients;

97 (3) [any] Any subscriber charges received under a contract or policy
98 entered into with the state to provide health care coverage to Medicaid
99 recipients under the Medicaid managed care program established
100 pursuant to section 17b-28, which charges are attributable to a period
101 on or after January 1, 1998;

102 (4) [any] Any new or renewal contract or policy entered into with
103 the state on or after April 1, 1998, to provide health care coverage to
104 eligible beneficiaries under the HUSKY Medicaid Plan Part A, HUSKY
105 Part B, or the HUSKY Plus programs, each as defined in section 17b-
106 290;

107 (5) [any] Any new or renewal contract or policy entered into with
108 the state on or after April 1, 1998, to provide health care coverage to
109 recipients of state-administered general assistance pursuant to section
110 17b-192;

111 (6) [any] Any new or renewal contract or policy entered into with
112 the state on or after February 1, 2000, to provide health care coverage
113 to retired teachers, spouses or surviving spouses covered by plans

114 offered by the state teachers' retirement system;

115 (7) [any] Any new or renewal contract or policy entered into on or
116 after July 1, 2001, to provide health care coverage to employees of a
117 municipality and their dependents under a plan procured pursuant to
118 section 5-259, as amended by this act;

119 (8) [any] Any new or renewal contract or policy entered into on or
120 after July 1, 2001, to provide health care coverage to employees of
121 nonprofit organizations and their dependents under a plan procured
122 pursuant to section 5-259, as amended by this act; [or]

123 (9) [any] Any new or renewal contract or policy entered into on or
124 after July 1, 2003, to provide health care coverage to individuals
125 eligible for a health coverage tax credit and their dependents under a
126 plan procured pursuant to section 5-259, as amended by this act;

127 (10) Any new or renewal contract or policy entered into on or after
128 July 1, 2005, to provide health care coverage to employees of
129 community action agencies and their dependents under a plan
130 procured pursuant to section 5-259, as amended by this act; or

131 (11) Any new or renewal contract or policy entered into on or after
132 July 1, 2005, to provide health care coverage to retired members and
133 their dependents under a plan procured pursuant to section 5-259, as
134 amended by this act.

135 (c) The provisions of this chapter pertaining to the filing of returns,
136 declarations, installment payments, assessments and collection of
137 taxes, penalties, administrative hearings and appeals imposed on
138 domestic insurance companies shall apply with respect to the charge
139 imposed under this section.

140 Sec. 3. Subdivision (4) of section 38a-564 of the general statutes is
141 repealed and the following is substituted in lieu thereof (*Effective from*
142 *passage*):

143 (4) (A) "Small employer" means any person, firm, corporation,
144 limited liability company, partnership or association actively engaged
145 in business or self-employed for at least three consecutive months
146 who, on at least fifty per cent of its working days during the preceding
147 twelve months, employed no more than fifty eligible employees, the
148 majority of whom were employed within the state of Connecticut.
149 "Small employer" includes a self-employed individual. In determining
150 the number of eligible employees, companies which are affiliated
151 companies, as defined in section 33-840, or which are eligible to file a
152 combined tax return for purposes of taxation under chapter 208 shall
153 be considered one employer. Eligible employees shall not include
154 employees covered through the employer by health insurance plans or
155 insurance arrangements issued to or in accordance with a trust
156 established pursuant to collective bargaining subject to the federal
157 Labor Management Relations Act. Except as otherwise specifically
158 provided, provisions of sections 12-201, 12-211, 12-212a and 38a-564 to
159 38a-572, inclusive, as amended by this act, which apply to a small
160 employer shall continue to apply until the plan anniversary following
161 the date the employer no longer meets the requirements of this
162 definition.

163 (B) "Small employer" does not include [(A)] (i) a municipality
164 procuring health insurance pursuant to section 5-259, as amended by
165 this act, [(B)] (ii) a private school in this state procuring health
166 insurance through a health insurance plan or an insurance
167 arrangement sponsored by an association of such private schools, [(C)]
168 (iii) a nonprofit organization procuring health insurance pursuant to
169 section 5-259, as amended by this act, unless the Secretary of the Office
170 of Policy and Management and the State Comptroller make a request
171 in writing to the Insurance Commissioner that such nonprofit
172 organization be deemed a small employer for the purposes of this
173 chapter, [or (D)] (iv) an association for personal care assistants
174 procuring health insurance pursuant to section 5-259, as amended by
175 this act, or (v) a community action agency procuring health insurance
176 pursuant to section 5-259, as amended by this act.

177 Sec. 4. Subdivisions (5) and (6) of section 38a-567 of the general
178 statutes are repealed and the following is substituted in lieu thereof
179 (*Effective from passage*):

180 (5) (A) With respect to plans or arrangements issued on or after July
181 1, 1995, the premium rates charged or offered to small employers shall
182 be established on the basis of a community rate, adjusted to reflect one
183 or more of the following classifications:

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

186 (ii) Gender;

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

189 (iv) Industry, provided the rate factor associated with any industry
190 classification shall not vary from the arithmetic average of the highest
191 and lowest rate factors associated with all industry classifications by
192 greater than fifteen per cent of such average, and provided further, the
193 rate factors associated with any industry shall not be increased by
194 more than five per cent per year;

195 (v) Group size, provided the highest rate factor associated with
196 group size shall not vary from the lowest rate factor associated with
197 group size by a ratio of greater than 1.25 to 1.0;

198 (vi) Administrative cost savings resulting from the administration of
199 an association group plan or a plan written pursuant to section 5-259,
200 as amended by this act, provided the savings reflect a reduction to the
201 small employer carrier's overall retention that is measurable and
202 specifically realized on items such as marketing, billing or claims
203 paying functions taken on directly by the plan administrator or
204 association, except that such savings may not reflect a reduction
205 realized on commissions; [and]

206 (vii) Savings resulting from a reduction in the profit of a carrier who
207 writes small business plans or arrangements for an association group
208 plan or a plan written pursuant to section 5-259, as amended by this
209 act, provided any loss in overall revenue due to a reduction in profit is
210 not shifted to other small employers; and

211 [(vii)] (viii) Family composition, provided the small employer
212 carrier shall utilize only one or more of the following billing
213 classifications: (I) Employee; (II) employee plus family; (III) employee
214 and spouse; (IV) employee and child; (V) employee plus one
215 dependent; and (VI) employee plus two or more dependents.

216 (B) The small employer carrier shall quote premium rates to small
217 employers after receipt of all demographic rating classifications of the
218 small employer group. No small employer carrier may inquire
219 regarding health status or claims experience of the small employer or
220 its employees or dependents prior to the quoting of a premium rate.

221 (C) The provisions of subparagraphs (A) and (B) of this subdivision
222 shall apply to plans or arrangements issued on or after July 1, 1995.
223 The provisions of subparagraphs (A) and (B) of this subdivision shall
224 apply to plans or arrangements issued prior to July 1, 1995, as of the
225 date of the first rating period commencing on or after that date, but no
226 later than July 1, 1996.

227 (6) For any small employer plan or arrangement on which the
228 premium rates for employee and dependent coverage or both, vary
229 among employees, such variations shall be based solely on age and
230 other demographic factors permitted under subparagraph (A) of
231 subdivision (5) of this section and such variations may not be based on
232 health status, claim experience, or duration of coverage of specific
233 enrollees. Except as otherwise provided in subdivision (1) of this
234 section, any adjustment in premium rates charged for a small
235 employer plan or arrangement to reflect changes in case characteristics
236 prior to the end of a rating period shall not include any adjustment to
237 reflect the health status, medical history or medical underwriting

238 classification of any new enrollee for whom coverage begins during
239 the rating period.

240 Sec. 5. Section 38a-567 of the general statutes is amended by adding
241 subdivision (22) as follows (*Effective from passage*):

242 (NEW) (22) With respect to plans or arrangements issued pursuant
243 to subsection (i) of section 5-259, as amended by this act, or by an
244 association group plan, at the option of the Comptroller or the
245 administrator of the association group plan, the premium rates
246 charged or offered to small employers purchasing health insurance
247 shall not be subject to this section, provided (A) the plan or plans
248 offered or issued cover such small employers as a single entity and
249 cover not less than ten thousand eligible individuals on the date
250 issued, (B) each small employer is charged or offered the same
251 premium rate with respect to each eligible individual and dependent,
252 and (C) the plan or plans are written on a guaranteed issue basis.

253 Sec. 6. Subsection (b) of section 38a-569 of the general statutes is
254 repealed and the following is substituted in lieu thereof (*Effective from*
255 *passage*):

256 (b) Any member may reinsure with the pool coverage of an eligible
257 employee of a small employer, or any dependent of such an employee,
258 except that no member may reinsure with the pool coverage of an
259 eligible employee of a small employer, or any dependent of such an
260 employee, whose premium rates are not subject to section 38a-567, as
261 amended by this act, pursuant to subdivision (22) of section 38a-567, as
262 amended by this act. Any reinsurance placed with the pool from the
263 date of the establishment of the pool regarding the coverage of an
264 eligible employee of a small employer, or any dependent of such an
265 employee shall be provided as follows:

266 (1) (A) With respect to a special health care plan or a small employer
267 health care plan, the pool shall reinsure the level of coverage provided;
268 (B) with respect to other plans, the pool shall reinsure the level of
269 coverage provided up to, but not exceeding, the level of coverage

270 provided in a small employer health care plan or the actuarial
271 equivalent thereof as defined and authorized by the board; and (C) in
272 either case, no reinsurance may be provided in any calendar year for a
273 reinsured employee or dependent until five thousand dollars in benefit
274 payments have been made for services provided during that calendar
275 year for that reinsured employee or dependent, which payments
276 would have been reimbursed through said reinsurance in the absence
277 of the annual five-thousand-dollar deductible. The amount of the
278 deductible shall be periodically reviewed by the board and may be
279 adjusted for appropriate factors as determined by the board;

280 (2) With respect to eligible employees, and their dependents,
281 coverage may be reinsured: (A) Within such period of time after the
282 commencement of their coverage under the plan as may be authorized
283 by the board, or (B) commencing January 1, 1992, on the first plan
284 anniversary after the employer's coverage has been in effect with the
285 small employer carrier for a period of three years, and every third plan
286 anniversary thereafter, provided, commencing May 1, 1994,
287 reinsurance pursuant to this subparagraph shall only be permitted
288 with respect to eligible employees and their dependents of a small
289 employer which has no more than two eligible employees as of the
290 applicable anniversary;

291 (3) Reinsurance coverage may be terminated for each reinsured
292 employee or dependent on any plan anniversary; [and]

293 (4) Reinsurance of newborn dependents shall be allowed only if the
294 mother of any such dependent is reinsured as of the date of birth of
295 such child, and all newborn dependents of reinsured persons shall be
296 automatically reinsured as of their date of birth; [.] and

297 (5) Notwithstanding the provisions of subparagraph (A) of
298 subdivision (2) of this subsection: (A) Coverage for eligible employees
299 and their dependents provided under a group policy covering two or
300 more small employers shall not be eligible for reinsurance when such
301 coverage is discontinued and replaced by a group policy of another

302 carrier covering two or more small employers, unless coverage for
 303 such eligible employees or dependents was reinsured by the prior
 304 carrier; and (B) at the time coverage is assumed for such group by a
 305 succeeding carrier, such carrier shall notify the pool of its intention to
 306 provide coverage for such group and shall identify the employees and
 307 dependents whose coverage will continue to be reinsured. The time
 308 limitations for providing such notice shall be established by the pool.

309 Sec. 7. (NEW) (*Effective October 1, 2005*) (a) The Insurance
 310 Commissioner shall approve any health insurance policy or contract,
 311 including, but not limited to, a policy or contract filed by a health care
 312 center, that uses variable networks and enrollee cost-sharing as set
 313 forth in subsection (b) of this section if (1) the policy or contract meets
 314 the requirements of title 38a of the general statutes, (2) the policy or
 315 contract form or amendment thereto filed with the commissioner is
 316 accompanied by a rate filing for the policy or contract and (3) the
 317 commissioner finds that the rate filing reflects a reasonable reduction
 318 in premiums or fees as compared to policies or contracts that do not
 319 use such variable networks and enrollee cost-sharing.

320 (b) Such policies and contracts shall be limited to policies and
 321 contracts that: (1) Offer choices among provider networks of different
 322 size; (2) offer different deductibles depending on the type of health
 323 care facility used; or (3) offer prescription drug benefits that use any
 324 combination of deductibles, coinsurance not to exceed thirty per cent
 325 or copayments, including combinations of such deductibles,
 326 coinsurance or copayments at different benefit levels.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	5-259(i)
Sec. 2	<i>July 1, 2005, and applicable to income years commencing on or after January 1, 2005</i>	12-202a
Sec. 3	<i>from passage</i>	38a-564(4)

Sec. 4	<i>from passage</i>	38a-567(5) and (6)
Sec. 5	<i>from passage</i>	38a-567
Sec. 6	<i>from passage</i>	38a-569(b)
Sec. 7	<i>October 1, 2005</i>	New section

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Department of Revenue Services	GF - Indeterminate	See Below	See Below
Comptroller	None	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill is not anticipated to result in any immediate fiscal impact to the insurance premiums tax as a result of exempting certain health insurance policies obtained through the Municipal Employee Health Insurance Program (MEHIP) or an association group. Currently, it appears that policies covering employees of community action agencies are not subject to the tax because policies for employees of nonprofit organizations (CGS §12-202a(b)(8)) are exempt from the tax.

However, the bill may:

a) result in a loss in premium tax revenue to the extent that towns that participate in the municipal employee retirement system decide to switch carriers and procure insurance through MEHIP. Currently, premiums paid to procure insurance for retirees are subject to the tax.

b) result in a future gain in premium tax revenue to the extent that the bill provides an incentive to small employers to procure insurance which is retained after the two-year tax exemption period expires.

The overall impact to the insurance premiums tax, if any, cannot be quantified due to the uncertainty regarding employers' reaction to the bill's provisions.

The state will bear no costs associated with the inclusion of retired members of the Municipal Employees Retirement System in the MEHIP provided under the bill. MEHIP is sponsored by the Office of the State Comptroller (OSC) and managed by a third party administrator. By design, any costs incurred by the program are passed on to the participants.

As of March 2005, MEHIP covers 247 groups consisting of 14,000 lives with an average annual premium per MEHIP member of \$7,250, according to the OSC.

House Amendment "A" ,which is not anticipated to have any fiscal impact, makes several technical changes regarding the small employer groups and requires the insurance commissioner to approve insurance and HMO plans that offer flexible plan designs, if certain conditions are met.

OLR Bill Analysis

sHB 6655 (as amended by House "A")*

***AN ACT CONCERNING GROUPS COVERED UNDER THE STATE
EMPLOYEE HEALTH PLAN AND ASSOCIATION GROUP PLANS*****SUMMARY:**

This bill requires the insurance commissioner to approve an insurance policy or contract, including one issued by an HMO, that offers a flexible plan design with respect to provider networks and enrollee cost-sharing, in certain circumstances.

By law, the comptroller can arrange for and make available health insurance for municipal employees and other groups through the Municipal Employee Health Insurance Program (MEHIP). The bill expands eligibility for MEHIP to (1) individuals eligible for a retirement benefit from the Connecticut municipal employees' retirement system ("retired members") and (2) federally qualified nonprofit corporations that have contracts with the state or receive any public funding, or have federal 501(c)(5) tax-exempt status (e.g., labor unions).

The bill excludes small employer groups purchasing health insurance through MEHIP or an association group plan from the existing small employer rating law, which requires adjusted community rating, at the comptroller's or association group plan administrator's option, under certain circumstances. To use this option, (1) the MEHIP or association plans offered or issued must cover small employer groups as a single group and insure at least 10,000 individuals, (2) each small employer must be offered the same premium rates for each individual and dependent (i.e., rated using a pure community rating methodology), and (3) the plans must be written on a guaranteed issue basis.

Under the bill, insurers are prohibited from purchasing reinsurance coverage from the Connecticut Small Employer Health Reinsurance Pool for a small employer group unless the insurer uses the adjusted community rating methodology to develop the group's rates. An insurer can still purchase reinsurance for a small employer group that

is offered pure community rates, but through other avenues.

The bill no longer requires small employer groups participating in MEHIP to be fully insured, at the discretion of the comptroller (e.g., she could permit the groups to be self-insured). It also requires insurers to consider the savings resulting from a reduction in an insurer's profits because of issuing plans for small employer groups participating in MEHIP or an association health plan when developing rates for small employers, as long as any loss in the insurer's overall revenue is not shifted to other small employers.

The bill also (1) expands the list of plans that are exempt from the 1.75% HMO premium tax, (2) excludes community action groups from the definition of small employer, and (3) makes technical and conforming changes.

*House Amendment "A" (1) changes the participation threshold for treating small employer groups as one entity to 10,000 instead of 3,000, (2) permits such small employer groups to be excluded from the current small employer rating law in certain situations, and (3) excludes those groups from the Connecticut Small Employer Health Reinsurance Pool. It also requires the insurance commissioner to approve insurance and HMO plans that offer flexible plan designs, if certain conditions are met.

EFFECTIVE DATE: Upon passage, except for the (1) premium tax provisions, which are effective July 1, 2005 and apply to income years beginning on or after January 1, 2005 and (2) section regarding policies with variable networks and enrollee cost-sharing provisions, which is effective October 1, 2005.

FLEXIBLE BENEFIT DESIGNS

The bill requires the insurance commissioner to approve health insurance plans that offer a flexible plan design if the (1) policy or contract complies with all state insurance laws, (2) insurer or HMO files the policy or contract and associated rates with the insurance commissioner, and (3) rate filing demonstrates a reasonable premium rate decrease compared to a policy or contract that does not use the flexible design.

The bill limits how an insurer or HMO can design a flexible benefits

policy or contract. It can offer (1) a choice of different sized provider networks; (2) different deductibles depending on the type of health facility used; or (3) prescription drug benefits that use a combination of deductibles, coinsurance not to exceed 30%, or copayments.

PREMIUM TAX EXEMPTION

By law, HMOs must pay an annual premium tax of 1.75% per contract or policy. Current law exempts contracts or policies issued to employees of municipalities and nonprofit organizations from the tax. The bill also exempts the following health care contracts and policies from the tax:

1. any new or renewal contract or policy obtained through MEHIP and entered into after June 30, 2005 that provides coverage to a community action agency's employees and their dependents, and
2. any new or renewal contract or policy obtained through MEHIP and entered into after June 30, 2005 that provides coverage to retired members and their dependents.

BACKGROUND

MEHIP

MEHIP is a group health insurance program for municipal employees sponsored by the Office of the Comptroller and established by law. Subsequent laws expanded MEHIP eligibility to (1) nonprofit community action agencies, (2) state-contracted nonprofit corporations, (3) regional emergency telecommunications centers and tourism districts, and (4) small employers.

Connecticut law requires participation in MEHIP to be voluntary. It also requires that (1) MEHIP not affect the rates the state pays for state employee health plans and (2) the participants pay all MEHIP administration costs.

Developing Small Employer Rates

Pure community rating is the process of developing a uniform rate for all enrollees. By law, insurers and HMOs must use adjusted

community rating when developing premium rates for small employer groups. An adjusted community rate modifies a community rate by specific case characteristics. Under current law, “case characteristics” means demographic or other objective characteristics of a small employer group’s employees, including age, gender, family composition, location, size of group, administrative cost savings resulting from the administration of an association group plan or a plan written through the MEHIP, and industry classification.

Reinsurance

Reinsurance spreads a company’s insurance risk by having one or more other companies assume some portion of the risk.

Connecticut Small Employer Health Reinsurance Pool

The legislature created the Connecticut Small Employer Health Reinsurance Pool in 1990. All insurers issuing health insurance and insurance arrangements providing health plan benefits must be pool members. Pool members may purchase reinsurance coverage for a small employer group or individuals within a small employer group who are considered high risk. A high-risk individual is one who is likely to generate substantial claims due to his health status.

Small Employer — Definition

By law, a “small employer” is an employer with one to 50 employees, including a self-employed person, excluding a (1) private school obtaining health insurance through an association of private schools; (2) municipality participating in MEHIP; (3) nonprofit organization participating in MEHIP, unless the comptroller and the Office of Policy and Management secretary make a written request to the insurance commissioner to treat it as a small employer; and (4) personal care assistants association participating in MEHIP.

Community Action Agency — Definition

A “community action agency” is a public or private nonprofit agency that has previously been designated by and authorized to accept funds from the Community Services Administration for community action agencies under the Economic Opportunity Act of 1964 or a successor agency (CGS § 17b-885).

Related Bill

sSB 1034 (File 236), reported favorably by the Insurance and Real Estate Committee and amended by the Senate, (1) extends MEHIP participation to uninsured individuals, (2) excludes a community action agency obtaining insurance through MEHIP from the definition of small employer, (3) permits the insurance commissioner to approve health insurance plans that do not contain all the state mandated benefits for certain employees and retirees, (4) permits insurers and HMOs to design and issue plans that offer flexible designs, and (5) requires the insurance commissioner to develop an education outreach program about health care options in Connecticut and post information on the Internet.

Legislative History

On April 19, the House referred the bill to the Labor and Public Employees Committee, which reported it out unchanged on April 25. On April 28, the House referred the bill to the Finance, Revenue and Bonding Committee, which removed the premium tax exemption for certain small employers and reported it out on May 3.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute
Yea 12 Nay 4

Labor and Public Employees Committee

Joint Favorable Report
Yea 8 Nay 4

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 25 Nay 18