



General Assembly

January Session, 2005

Raised Bill No. 6655

LCO No. 3461

03461_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CONCERNING COST SAVINGS UNDER SMALL EMPLOYER HEALTH PLANS AND THE STATE EMPLOYEE HEALTH PLAN.

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2 repealed and the following is substituted in lieu thereof (*Effective from*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 or members of an association for personal care assistants under
8 the plan or plans procured under subsection (a) of this section,
9 provided: (1) Participation by each municipality, nonprofit
10 corporation, community action agency or small employer or eligible
11 individual or association for personal care assistants shall be on a
12 voluntary basis; (2) where an employee organization represents
13 employees of a municipality, nonprofit corporation, community action
14 agency or small employer, participation in a plan or plans to be
15 procured under subsection (a) of this section shall be by mutual
16 agreement of the municipality, nonprofit corporation, community

17 action agency or small employer and the employee organization only
18 and neither party may submit the issue of participation to binding
19 arbitration except by mutual agreement if such binding arbitration is
20 available; (3) no group of employees shall be refused entry into the
21 plan by reason of past or future health care costs or claim experience;
22 (4) rates paid by the state for its employees under subsection (a) of this
23 section are not adversely affected by this subsection; (5) administrative
24 costs to the plan or plans provided under this subsection shall not be
25 paid by the state; (6) participation in the plan or plans in an amount
26 determined by the state shall be for the duration of the period of the
27 plan or plans, or for such other period as mutually agreed by the
28 municipality, nonprofit corporation, community action agency, small
29 employer or association for personal care assistants and the
30 Comptroller; and (7) nothing in [public act 03-6 of the June 30 special
31 session*] this section, section 12-202a, as amended by this act, 38a-551,
32 38a-553 or 38a-556 shall be construed as requiring a participating
33 insurer or health care center to issue individual policies to individuals
34 eligible for a health coverage tax credit. The Comptroller may arrange
35 and procure for the employees and eligible individuals under this
36 subsection health benefit plans that vary from the plan or plans
37 procured under subsection (a) of this section. Notwithstanding any
38 provision of law the coverage provided under this subsection may be
39 offered to employees on either a fully underwritten or risk-pooled
40 basis at the discretion of the Comptroller. [except that coverage
41 offered to small employers shall be fully underwritten in accordance
42 with part V of chapter 700c.] Notwithstanding any provision of law,
43 any plan offered to a small business on a risk-pooled basis may not
44 deny coverage on an individual or group basis to any employee of
45 such small business. For the purposes of this subsection, (A)
46 "municipality" means any town, city, borough, school district, taxing
47 district, fire district, district department of health, probate district,
48 housing authority, regional work force development board established
49 under section 31-3k, regional emergency telecommunications center,
50 tourism 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 a nonprofit corporation organized under 26 USC
55 501(c)(3) that has a contract with the state; (C) "community action
56 agency" means a community action agency, as defined in section 17b-
57 885; (D) "small employer" means a small employer, as defined in
58 section 38a-564; (E) "eligible individuals" or "individuals eligible for a
59 health coverage tax credit" means persons who are eligible for the
60 credit for health insurance costs under Section 35 of the Internal
61 Revenue Code of 1986, or any subsequent corresponding internal
62 revenue code of the United States, as from time to time amended, in
63 accordance with the Pension Benefit Guaranty Corporation and Trade
64 Adjustment Assistance programs of the Trade Act of 2002 (P.L. 107-
65 210); and (F) "association for personal care assistants" means an
66 organization composed of personal care attendants who are employed
67 by recipients of service (i) under the home-care program for the elderly
68 under section 17b-342, (ii) under the personal care assistance program
69 under section 17b-605a, (iii) in an independent living center pursuant
70 to sections 17b-613 to 17b-615, inclusive, or (iv) under the program for
71 individuals with acquired brain injury as described in section 17b-
72 260a.

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

76 (a) Each health care center, as defined in section 38a-175, that is
77 governed by sections 38a-175 to 38a-192, inclusive, shall pay a tax to
78 the Commissioner of Revenue Services for the calendar year
79 commencing on January 1, 1995, and annually thereafter, at the rate of
80 one and three-quarters per cent of the total net direct subscriber
81 charges received by such health care center during each such calendar
82 year on any new or renewal contract or policy approved by the
83 Insurance Commissioner under section 38a-183. Such payment shall be

84 in addition to any other payment required under section 38a-48.

85 (b) Notwithstanding the provisions of subsection (a) of this section,
86 the tax shall not apply to: (1) Any new or renewal contract or policy
87 entered into with the state on or after July 1, 1997, to provide health
88 care coverage to state employees, retirees and their dependents; (2) any
89 subscriber charges received from the federal government to provide
90 coverage for Medicare patients; (3) any subscriber charges received
91 under a contract or policy entered into with the state to provide health
92 care coverage to Medicaid recipients under the Medicaid managed
93 care program established pursuant to section 17b-28, which charges
94 are attributable to a period on or after January 1, 1998; (4) any new or
95 renewal contract or policy entered into with the state on or after April
96 1, 1998, to provide health care coverage to eligible beneficiaries under
97 the HUSKY Medicaid Plan Part A, HUSKY Part B, or the HUSKY Plus
98 programs, each as defined in section 17b-290; (5) any new or renewal
99 contract or policy entered into with the state on or after April 1, 1998,
100 to provide health care coverage to recipients of state-administered
101 general assistance pursuant to section 17b-192; (6) any new or renewal
102 contract or policy entered into with the state on or after February 1,
103 2000, to provide health care coverage to retired teachers, spouses or
104 surviving spouses covered by plans offered by the state teachers'
105 retirement system; (7) any new or renewal contract or policy entered
106 into on or after July 1, 2001, to provide health care coverage to
107 employees of a municipality under a plan procured pursuant to section
108 5-259; (8) any new or renewal contract or policy entered into on or after
109 July 1, 2001, to provide health care coverage to employees of nonprofit
110 organizations and their dependents under a plan procured pursuant to
111 section 5-259; [or] (9) any new or renewal contract or policy entered
112 into on or after July 1, 2003, to provide health care coverage to
113 individuals eligible for a health coverage tax credit and their
114 dependents under a plan procured pursuant to section 5-259; or (10)
115 any new or renewal contract or policy entered into on or after January
116 1, 2005, to provide health care coverage to employees of small
117 businesses and their dependents under a plan procured pursuant to

118 section 5-259, as amended by this act, or an association group plan.

119 (c) The provisions of this chapter pertaining to the filing of returns,
120 declarations, installment payments, assessments and collection of
121 taxes, penalties, administrative hearings and appeals imposed on
122 domestic insurance companies shall apply with respect to the charge
123 imposed under this section.

124 Sec. 3. Subdivisions (5) and (6) of section 38a-567 of the general
125 statutes are repealed and the following is substituted in lieu thereof
126 (*Effective from passage*):

127 (5) (A) [With] Except as provided in subparagraph (D) of this
128 subdivision, with respect to plans or arrangements issued on or after
129 July 1, 1995, the premium rates charged or offered to small employers
130 shall be established on the basis of a community rate, adjusted to
131 reflect one or more of the following classifications:

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

134 (ii) Gender;

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

137 (iv) Industry, provided the rate factor associated with any industry
138 classification shall not vary from the arithmetic average of the highest
139 and lowest rate factors associated with all industry classifications by
140 greater than fifteen per cent of such average, and provided further, the
141 rate factors associated with any industry shall not be increased by
142 more than five per cent per year;

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

146 (vi) Administrative cost savings resulting from the administration of
147 an association group plan or a plan written pursuant to section 5-259
148 provided the savings reflect a reduction to the small employer carrier's
149 overall retention that is measurable and specifically realized on items
150 such as marketing, billing or claims paying functions taken on directly
151 by the plan administrator or association, except that such savings may
152 not reflect a reduction realized on commissions; [and]

153 (vii) Savings resulting from a reduction in the profit of a carrier who
154 writes small business plans or arrangements for an association group
155 plan or a plan written pursuant to section 5-259, as amended by this
156 act; and

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

162 (B) The small employer carrier shall quote premium rates to small
163 employers after receipt of all demographic rating classifications of the
164 small employer group. No small employer carrier may inquire
165 regarding health status or claims experience of the small employer or
166 its employees or dependents prior to the quoting of a premium rate.

167 (C) The provisions of subparagraphs (A) and (B) of this subdivision
168 shall apply to plans or arrangements issued on or after July 1, 1995.
169 The provisions of subparagraphs (A) and (B) of this subdivision shall
170 apply to plans or arrangements issued prior to July 1, 1995, as of the
171 date of the first rating period commencing on or after that date, but no
172 later than July 1, 1996.

173 (D) Notwithstanding the provisions of this part, including
174 subdivision (6) of this section, with respect to plans or arrangements
175 issued on or after the effective date of this section pursuant to
176 subsection (i) of section 5-259, as amended by this act, or by an

177 association group plan, the premium rates charged or offered to small
178 employers may be established on a risk-pooled basis for (i) small
179 employers insured by the association, or (ii) all persons who procure
180 insurance from the Comptroller pursuant to subsection (i) of section 5-
181 259, as amended by this act.

182 (6) For any small employer plan or arrangement on which the
183 premium rates for employee and dependent coverage or both, vary
184 among employees, such variations shall be based solely on age and
185 other demographic factors permitted under subparagraph (A) of
186 subdivision (5) of this section and such variations may not be based on
187 health status, claim experience, or duration of coverage of specific
188 enrollees. Except as otherwise provided in subdivision (1) of this
189 section, any adjustment in premium rates charged for a small
190 employer plan or arrangement to reflect changes in case characteristics
191 prior to the end of a rating period shall not include any adjustment to
192 reflect the health status, medical history or medical underwriting
193 classification of any new enrollee for whom coverage begins during
194 the rating period.

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

198 (4) "Small employer" means any person, firm, corporation, limited
199 liability company, partnership or association actively engaged in
200 business or self-employed for at least three consecutive months who,
201 on at least fifty per cent of its working days during the preceding
202 twelve months, employed no more than fifty eligible employees, the
203 majority of whom were employed within the state of Connecticut.
204 "Small employer" includes a self-employed individual. In determining
205 the number of eligible employees, companies which are affiliated
206 companies, as defined in section 33-840, or which are eligible to file a
207 combined tax return for purposes of taxation under chapter 208 shall
208 be considered one employer. Eligible employees shall not include

209 employees covered through the employer by health insurance plans or
 210 insurance arrangements issued to or in accordance with a trust
 211 established pursuant to collective bargaining subject to the federal
 212 Labor Management Relations Act. Except as otherwise specifically
 213 provided, provisions of sections 12-201, 12-211, 12-212a and 38a-564 to
 214 38a-572, inclusive, which apply to a small employer shall continue to
 215 apply until the plan anniversary following the date the employer no
 216 longer meets the requirements of this definition. "Small employer"
 217 does not include (A) a municipality procuring health insurance
 218 pursuant to section 5-259, as amended by this act, (B) a private school
 219 in this state procuring health insurance through a health insurance
 220 plan or an insurance arrangement sponsored by an association of such
 221 private schools, (C) a nonprofit organization procuring health
 222 insurance pursuant to section 5-259, as amended by this act, unless the
 223 Secretary of the Office of Policy and Management and the State
 224 Comptroller make a request in writing to the Insurance Commissioner
 225 that such nonprofit organization be deemed a small employer for the
 226 purposes of this chapter, [or] (D) an association for personal care
 227 assistants procuring health insurance pursuant to section 5-259, as
 228 amended by this act, or (E) a community action agency procuring
 229 health insurance pursuant to section 5-259, as amended by this act.

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>from passage and applicable to income years commencing on or after January 1, 2005</i>	12-202a
Sec.	<i>from passage</i>	38a-567(5) and (6)
Sec. 4	<i>from passage</i>	38a-564(4)

Statement of Purpose:

To: (1) Allow the Comptroller and association group plans to pool health insurance rates, rather than use community rating, for those small employers that they insure; (2) exempt small employer plans

offered by the Comptroller or associations from the premium tax; (3) amend the community rating law to allow small employer plans to account for savings when establishing rates; and (4) revise the definition of "small employer" under the small employer health plan law.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]