



General Assembly

February Session, 2008

Raised Bill No. 310

LCO No. 1765

01765_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CLARIFYING THE SALE OF SPECIAL HEALTH CARE PLANS FOR SMALL EMPLOYERS.

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

1 Section 1. Section 38a-565 of the 2008 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective from passage*):

4 (a) (1) In order to facilitate the provision of lower cost health
5 insurance coverage for uninsured small employers, the board shall
6 establish, subject to the approval of the commissioner, [two] a special
7 health care [plans, one for use by health care centers and one] plan for
8 use by [other small employer carriers] the Health Reinsurance
9 Association. The board shall submit such plan to the commissioner for
10 his approval within ninety days after the appointment of the board
11 pursuant to section 38a-569. The board shall take into consideration the
12 levels of health care plans provided in Connecticut [, including those
13 provided by health care centers, as appropriate,] and such medical and
14 economic factors as may be deemed appropriate and shall establish
15 benefit levels, deductibles, coinsurance factors, maximum copayment
16 obligations and exclusions and limitations which the board considers

17 appropriate for uninsured small employers, provided the level of
18 reimbursement shall be based on the reimbursement rate. [Benefit
19 plans] Such plan may include cost containment features such as, but
20 not limited to: (A) Preferred provider provisions; (B) utilization review
21 of health care services, including review of medical necessity of
22 hospital and physician services; (C) case management benefit
23 alternatives; and (D) other managed care provisions. [The special
24 health care plan established for use by health care centers shall be
25 consistent with the basic method of operation and the benefit plans of
26 health care centers.]

27 (2) After the commissioner's approval of special health care plans
28 submitted by the board pursuant to subdivision (1) of this subsection,
29 and in lieu of the procedure established by section 38a-481, [any small
30 employer carrier] the Health Reinsurance Association may certify to
31 the commissioner, in the form and manner prescribed by the
32 commissioner, that the special health care [plans] plan filed by [the
33 carrier are] said association is in substantial compliance with the
34 provisions in the corresponding approved board plan. Upon receipt by
35 the department of such certification, [the carrier] said association may
36 [use] offer such certified [plans] plan until such time as the
37 commissioner, after notice and hearing, disapproves [their] its
38 continued use.

39 (b) (1) [Within] Not later than ninety days after approval by the
40 commissioner of the special health care [plans] plan submitted by the
41 board, [every small employer carrier] the Health Reinsurance
42 Association shall [, as a condition of transacting such business in this
43 state,] offer small employers [a special health care] such plan. [,
44 provided no small employer carrier may be required to offer a special
45 health care plan to a small employer with ten or fewer eligible
46 employees, the majority of whom are low-income eligible employees.
47 Such employers may purchase a special health care plan from the
48 Health Reinsurance Association pursuant to section 38a-570. Small
49 employer carriers that do not offer special health care plans to such

50 employers shall refer those employers to the Health Reinsurance
51 Association.] Except as provided in subdivision (2) of this subsection,
52 every small employer [which] that elects to be covered under a special
53 health care plan and agrees to make the required premium payments
54 and to satisfy the other provisions of the plan shall be issued such a
55 plan by [the small employer carrier or] the Health Reinsurance
56 Association, [, as the case may be.]

57 (2) No small employer may be eligible to purchase a special health
58 care plan unless such employer had maintained no health insurance
59 coverage for its employees at any time during the one-year period
60 ending on the date of application for such policy. No small employer
61 may purchase a special health care plan for more than three years.

62 [(3) In addition to any other requirements related to the
63 establishment of premiums for special health care plans issued by
64 small employer carriers to small employers, (A) the anticipated loss
65 ratio shall not be less than seventy-five per cent of the premium, and
66 (B) small employer carriers shall file annually by the end of March of
67 each year information with the Insurance Department with respect to
68 such plans for the prior calendar year including the number of plans
69 issued, the anticipated loss ratio, the premiums earned, the paid and
70 estimated outstanding claims, expenses charged, and such other
71 information as the commissioner deems necessary to assure
72 compliance with subparagraph (A) of this subdivision.

73 (4) A health care center shall not be required to offer coverage or
74 accept applications pursuant to subdivision (1) of this subsection in the
75 case of any of the following: (A) To a group, where the group is not
76 physically located in the health care center's approved service area; (B)
77 to an employee, where the employee does not work or reside within
78 the health care center's approved service area; (C) within an area
79 where the health care center reasonably anticipates, and demonstrates
80 to the satisfaction of the commissioner, that it will not have the
81 capacity within that area in its network of providers to deliver services

82 adequately to the members of such groups because of its obligations to
83 existing group contract holders and enrollees; (D) where the
84 commissioner finds that acceptance of an application or applications
85 would place the health care center in an impaired financial condition;
86 or (E) to groups of fewer than three eligible employees, where the
87 health care center does not utilize preexisting condition provisions in
88 the plans it issues to any small employers. A health care center that
89 refuses to offer coverage pursuant to subparagraph (C) of this
90 subdivision may not, for ninety days after such refusal, offer coverage
91 in the applicable area to new cases of employer groups with more than
92 twenty-five eligible employees.

93 (5) A small employer carrier shall not be required to offer coverage
94 or accept applications pursuant to subdivision (1) of this subsection
95 subject to the following conditions: (A) The small employer carrier
96 ceases to market health insurance or health benefit plans to small
97 employers and ceases to enroll small employers under existing health
98 insurance or health benefit plans; (B) the small employer carrier
99 notifies the commissioner of its decision to cease marketing to small
100 employers and to cease enrolling small employers, as provided in
101 subparagraph (A) of this subdivision; and (C) the small employer
102 carrier is prohibited from reentering the small employer market for a
103 period of five years from the date of the notice required under
104 subparagraph (B) of this subdivision.]

105 (c) Insurers may issue individual special health care plans subject to
106 the laws applicable to individual health insurance in this state,
107 provided such policies shall be identical to the individual special
108 health care plans made available by the Health Reinsurance
109 Association pursuant to section 38a-571, as amended by this act.

110 Sec. 2. Subdivision (10) of section 38a-567 of the general statutes is
111 repealed and the following is substituted in lieu thereof (*Effective*
112 *October 1, 2008*):

113 (10) If a small employer carrier denies coverage as requested to a

114 small employer, the small employer carrier shall promptly offer the
115 small employer the opportunity to purchase a [special health care plan
116 or a] small employer health care plan. [, as appropriate.] If a small
117 employer carrier or any producer representing that carrier fails, for
118 any reason, to offer [such] coverage as requested by a small employer,
119 that small employer carrier shall promptly offer the small employer an
120 opportunity to purchase a [special health care plan or a] small
121 employer health care plan. [, as appropriate.] If a small employer
122 refuses such plans offered by a small employer carrier, such carrier
123 shall refer such employer to the Health Reinsurance Association to
124 purchase a special health care plan, as specified in section 38a-565, as
125 amended by this act.

126 Sec. 3. Subdivision (18) of section 38a-567 of the general statutes is
127 repealed and the following is substituted in lieu thereof (*Effective*
128 *October 1, 2008*):

129 (18) Each small employer carrier shall maintain at its [principle]
130 principal place of business a complete and detailed description of its
131 rating practices and renewal underwriting practices, including
132 information and documentation that demonstrates that its rating
133 methods and practices are based upon commonly accepted actuarial
134 assumptions and are in accordance with sound actuarial principles.
135 Each small employer carrier shall file with the commissioner annually,
136 on or before March fifteenth, an actuarial certification certifying that
137 the carrier is in compliance with this part and that the rating methods
138 have been derived using recognized actuarial principles consistent
139 with the provisions of sections 38a-564 to 38a-573, inclusive, of the
140 2008 supplement to the general statutes. Such certification shall be in a
141 form and manner and shall contain such information, as determined
142 by the commissioner. A copy of the certification shall be retained by
143 the small employer carrier at its principle place of business. Any
144 information and documentation described in this subdivision but not
145 subject to the filing requirement shall be made available to the
146 commissioner upon his request. Except in cases of violations of

147 sections 38a-564 to 38a-573, inclusive, of the 2008 supplement to the
148 general statutes, the information shall be considered proprietary and
149 trade secret information and shall not be subject to disclosure by the
150 commissioner to persons outside of the department except as agreed to
151 by the small employer carrier or as ordered by a court of competent
152 jurisdiction.

153 Sec. 4. Subsection (d) of section 38a-566 of the general statutes is
154 repealed and the following is substituted in lieu thereof (*Effective*
155 *October 1, 2008*):

156 (d) A small employer carrier [which] that ceases marketing to small
157 employers as provided in [subdivision (6) of subsection (b) of section
158 38a-565 may] subsection (d) of section 38a-568 shall not cease enrolling
159 new employers in a policy issued to provide coverage to the members
160 of a trade association or to a trust on behalf of a trade association if the
161 following conditions exist:

162 (1) Such trade association is a not-for-profit trade association
163 qualified under 26 USC Section 501c(6), was not formed solely for the
164 purpose of providing insurance and has been operating continuously
165 for at least twenty-five years.

166 (2) The policy issued to or on behalf of such association was in
167 existence prior to June 1, 1990, and has annual premiums of less than
168 twenty-five million dollars.

169 (3) Such policy is offered on a guaranteed issue basis to all small
170 employer members and only to members of such trade association.

171 Sec. 5. Section 38a-571 of the general statutes is repealed and the
172 following is substituted in lieu thereof (*Effective October 1, 2008*):

173 In addition to the options for individual comprehensive health care
174 plans, the Health Reinsurance Association shall make available to
175 individuals, on the same terms and conditions as are applicable to the
176 other individual comprehensive health care plan options under

177 sections 38a-505, 38a-546 and 38a-551 to 38a-559, inclusive, including
 178 the provisions for establishment and filing of premium rates, the
 179 option to purchase an individual special health care plan identical to
 180 the special health care plan for small employers established in
 181 accordance with section 38a-565 of the 2008 supplement to the general
 182 statutes, as amended by this act. The requirement that coverage not
 183 have been maintained for a [two-year] one-year period contained in
 184 subdivision (2) of subsection [(c)] (b) of section 38a-565 of the 2008
 185 supplement to the general statutes, as amended by this act, shall not
 186 apply to individual special health care plans.

187 Sec. 6. Section 38a-572 of the general statutes is repealed and the
 188 following is substituted in lieu thereof (*Effective October 1, 2008*):

189 No individual or organization [which] that provides medical advice,
 190 diagnosis, care or treatment of a type [which is] covered under a
 191 special health care [plans may,] plan, as defined in section 38a-565, as
 192 amended by this act, or section 38a-570, shall be required to, on or after
 193 July 1, 1990, provide such service to any person in this state unless
 194 such individual or organization would, upon request, provide such
 195 service, on the basis of the applicable reimbursement rate, to low-
 196 income eligible employees or their dependents covered under such
 197 special health care plans or low income individuals or their
 198 dependents covered under individual special health care plans, as
 199 defined in section 38a-571, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-565
Sec. 2	<i>October 1, 2008</i>	38a-567(10)
Sec. 3	<i>October 1, 2008</i>	38a-567(18)
Sec. 4	<i>October 1, 2008</i>	38a-566(d)
Sec. 5	<i>October 1, 2008</i>	38a-571
Sec. 6	<i>October 1, 2008</i>	38a-572

Statement of Purpose:

To clarify that the Health Reinsurance Association is the sole entity offering special health care plans, and to make minor technical revisions to the insurance statutes.

[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.]