

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 652

Pensions and Retirement/Insurance/State Personnel Committee Substitute Adopted 4/27/95

Short Title: Small Employer Coverage Changes.

(Public)

Sponsors:

Referred to:

April 11, 1995

A BILL TO BE ENTITLED AN ACT TO MAKE CHANGES TO THE GENERAL STATUTES PERTAINING TO SMALL EMPLOYER HEALTH CARE COVERAGE.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-50-130(b) reads as rewritten:

"(b) For all small employer health benefit plans that are subject to this section and are issued on or after January 1, 1995, section, premium rates for health benefit plans subject to this section are subject to the following provisions:

- (1) Small employer carriers shall use an adjusted-community rating methodology in which the premium for each small employer can vary only on the basis of the eligible employee's or dependent's age as determined in accordance with subdivision (6) of this subsection, the gender of the eligible employee or dependent, number of family members covered, or geographic area as determined under subdivision (7) of this subsection; subsection. Premium rates charged during a rating period to small employers with similar case characteristics for same coverage shall not vary from the adjusted community rate by more than

- 1           twenty percent (20%) for any reason, including differences in  
2           administrative costs and claims experience.
- 3           (2) Rating factors related to age, gender, number of family members  
4           covered, or geographic location may be developed by each carrier to  
5           reflect the carrier's experience. The factors used by carriers are subject  
6           to the Commissioner's review;
- 7           (3) Small employer carriers shall not modify the rate for a small employer  
8           for 12 months from the initial issue date or renewal date, unless the  
9           group is composite rated and composition of the group changed by  
10          twenty percent (20%) or more or benefits are ~~changed~~, changed. The  
11          percentage increase in the premium rate charged to a small employer for  
12          a new rating period may not exceed the sum of the following:
- 13          a.     The percentage change in the adjusted community rate as  
14          measured from the first day of the prior rating period to the first  
15          day of the new rating period, and
- 16          b.     Any adjustment, not to exceed fifteen percent (15%) annually,  
17          due to claim experience, health status, or duration of coverage of  
18          the employees or dependents of the small employer, and
- 19          c.     Any adjustment because of change in coverage or change in case  
20          characteristics of the small employer group.
- 21          ~~(4) Carriers participating in an Alliance in accordance with the Health Care~~  
22          ~~Purchasing Alliance Act may apply a different community rate to~~  
23          ~~business written in that Alliance;~~
- 24          ~~(5) In the case of health benefit plans issued before January 1, 1995, a~~  
25          ~~premium rate for a rating period, adjusted pro rata for any rating period~~  
26          ~~of less than one year, may vary from the adjusted community rate, as~~  
27          ~~determined by the small employer carrier and in accordance with~~  
28          ~~subdivisions (1), (2), (3), and (4) of this subsection, for a period of two~~  
29          ~~years after January 1, 1995, as follows:~~
- 30          a.     ~~On January 1, 1995, the premium rates charged during a rating~~  
31          ~~period to small employers with similar case characteristics for the~~  
32          ~~same or similar coverage, or the rates that could be charged to~~  
33          ~~those employers under the rating system shall not vary from the~~  
34          ~~adjusted community rate by more than twenty percent (20%),~~  
35          ~~adjusted pro rata for any rating period of less than one year;~~
- 36          b.     ~~On January 1, 1996, the premium rates charged during a rating~~  
37          ~~period to small employers with similar case characteristics for the~~  
38          ~~same or similar coverage, or the rates that could be charged to~~  
39          ~~those employers under the rating system shall not vary from the~~  
40          ~~adjusted community rate by more than ten percent (10%),~~  
41          ~~adjusted pro rata for any rating period of less than one year; and~~
- 42          c.     ~~On January 1, 1997, all small employer benefit plans that are~~  
43          ~~subject to this section and are issued by small employer carriers~~

1 before January 1, 1995, and that are renewed on or after January  
2 1, 1997, renewal rates shall be based on the same adjusted  
3 community rating standard applied to new business.

- 4 (6) For the purposes of subsection (b) of this section, a small employer  
5 carrier ~~shall not use~~ shall, unless the employer uses composite rating, use  
6 the following age ~~brackets of less than five years;~~ brackets:

- 7 a. Younger than 15 years;  
8 b. 15 to 19 years;  
9 c. 20 to 24 years;  
10 d. 25 to 29 years;  
11 e. 30 to 34 years;  
12 f. 35 to 39 years;  
13 g. 40 to 44 years;  
14 h. 45 to 49 years;  
15 i. 50 to 54 years;  
16 j. 55 to 59 years;  
17 k. 60 to 64 years;  
18 l. 65 years.

19 Carriers may combine, but shall not split, complete age brackets for the  
20 purposes of determining rates under subsection (b) of this section.  
21 Small employer carriers shall be permitted to develop separate rates for  
22 individuals aged 65 years and older for coverage for which Medicare is  
23 the primary payor and coverage for which Medicare is not the primary  
24 payor.

- 25 (7) For the purposes of subsection (b) of this section, a carrier shall not  
26 apply different geographic rating factors to the rates of small employers  
27 located within the same county; and

- 28 (8) The Department may adopt rules to administer this subsection and to  
29 assure that rating practices used by small employer carriers are  
30 consistent with the purposes of this subsection. Those rules shall include  
31 consideration of differences based on the following:

- 32 a. Health benefit plans that use different provider network  
33 arrangements may be considered separate plans for the purposes  
34 of determining the rating in subdivision (1) of this subsection,  
35 provided that the different arrangements are expected to result in  
36 substantial differences in claims costs;
- 37 b. Except as provided for in sub-subdivision a. of this subdivision,  
38 differences in ~~premium~~ rates charged for different health benefit  
39 plans shall be reasonable and reflect objective differences in plan  
40 design, but shall not permit differences in premium rates because  
41 of the ~~demographics~~ case characteristics of groups assumed to  
42 select particular health benefit plans; and

1 c. Small employer carriers shall apply allowable rating factors  
2 consistently with respect to all small employers. ~~Adjustments in~~  
3 ~~rates for age, gender, and geography shall not be applied~~  
4 ~~individually. Any such adjustment shall be applied uniformly to~~  
5 ~~the rate charged for all employee enrollees of the small~~  
6 ~~employer."~~

7 Sec. 2. G.S. 143-622(21) reads as rewritten:

8 "(21) 'Qualified health care plans' means the basic or standard health care  
9 plans offered by an Accountable Health Carrier to member small  
10 employers and as authorized by the Small Employer Carrier  
11 Committee pursuant to G.S. ~~58-50-120.~~ 58-50-120 and one additional  
12 plan. This additional plan shall be strictly limited to medical  
13 benefits and shall not be instituted with any elements of dental  
14 benefits. For the purposes of this section, 'medical' does not include  
15 any elements of life, property and casualty, or workers'  
16 compensation benefits."

17 Sec. 3. G.S. 143-626(2) reads as rewritten:

18 "(2) Accept applications by carriers to qualify as Accountable Health  
19 Carriers, determine the eligibility of carriers to become Accountable  
20 Health Carriers according to criteria described in G.S. 143-629, ~~and~~  
21 ~~designate carriers as Accountable Health Carriers.~~ Carriers, and  
22 approve one additional qualified health care plan to be offered to  
23 small employers beyond the basic and standard health care plans."

24 Sec. 4. G.S. 143-632(d) reads as rewritten:

25 "(d) ~~Nothing in this section shall be construed to or explicitly prohibit an Alliance~~  
26 ~~or Accountable Health Carrier from using the services of an agent or broker in order to~~  
27 ~~assist in marketing.~~ The Board shall require the use of agents or brokers licensed by the  
28 North Carolina Department of Insurance to assist small employers in obtaining coverage  
29 through an Alliance. All licensed agents or brokers shall be eligible to market and sell  
30 coverage through an Alliance. An Accountable Health Carrier shall not vary  
31 compensation or commissions to such agents or brokers based, directly or indirectly, on  
32 the anticipated or actual claims experience or health status associated with particular  
33 small employers to which each plan is sold."

34 Sec. 5. The Small Group Carrier Committee, the Department of Insurance, and  
35 the State Health Plan Purchasing Alliance Board shall report no later than January 1,  
36 1997, to the Joint Legislative Commission on Governmental Operations on the following:

- 37 (1) The market impact study of adjusted community rating on the small  
38 group markets in other states, especially in Florida, California,  
39 Kentucky, South Carolina, and Maryland;
- 40 (2) A market impact study to evaluate the short-term and long-term  
41 effect of adjusted community rating on the small group market in  
42 North Carolina; and

1                   (3)     If deemed necessary, a proposed timeline for a transition toward  
2                             adjusted community rating without experience and administrative  
3                             expense bands.

4                   Sec. 6. This act is effective upon ratification.