

INSURANCE AMENDMENTS

2012 GENERAL SESSION

STATE OF UTAH

LONG TITLE**General Description:**

This bill amends the Insurance Code.

Highlighted Provisions:

This bill:

- ▶ amends the case characteristics a small employer carrier may use when establishing health insurance premium rates for a small employer group; and
- ▶ amends provisions that require notice to a small employer group of the risk factor used to calculate a group's health insurance premium; and
- ▶ makes technical amendments.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

31A-30-106.1, as last amended by Laws of Utah 2011, Chapters 284 and 400

31A-30-211, as enacted by Laws of Utah 2011, Chapter 400

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **31A-30-106.1** is amended to read:

31A-30-106.1. Small employer premiums -- Rating restrictions -- Disclosure.

(1) Premium rates for small employer health benefit plans under this chapter are subject to this section [~~for a health benefit plan that is issued or renewed, on or after July 1, 2011~~].

(2) (a) The index rate for a rating period for any class of business may not exceed the index rate for any other class of business by more than 20%.

(b) For a class of business, the premium rates charged during a rating period to covered

33 insureds with similar case characteristics for the same or similar coverage, or the rates that
34 could be charged to an employer group under the rating system for that class of business, may
35 not vary from the index rate by more than 30% of the index rate, except when catastrophic
36 mental health coverage is selected as provided in Subsection 31A-22-625(2)(d).

37 (3) The percentage increase in the premium rate charged to a covered insured for a new
38 rating period, adjusted pro rata for rating periods less than a year, may not exceed the sum of
39 the following:

40 (a) the percentage change in the new business premium rate measured from the first
41 day of the prior rating period to the first day of the new rating period;

42 (b) any adjustment, not to exceed 15% annually and adjusted pro rata for rating periods
43 of less than one year, due to the claim experience, health status, or duration of coverage of the
44 covered individuals as determined from the small employer carrier's rate manual for the class of
45 business, except when catastrophic mental health coverage is selected as provided in
46 Subsection 31A-22-625(2)(d); and

47 (c) any adjustment due to change in coverage or change in the case characteristics of
48 the covered insured as determined for the class of business from the small employer carrier's
49 rate manual.

50 (4) (a) Adjustments in rates for claims experience, health status, and duration from
51 issue may not be charged to individual employees or dependents.

52 (b) Rating adjustments and factors, including case characteristics, shall be applied
53 uniformly and consistently to the rates charged for all employees and dependents of the small
54 employer.

55 (c) Rating factors shall produce premiums for identical groups that:

56 (i) differ only by the amounts attributable to plan design; and

57 (ii) do not reflect differences due to the nature of the groups assumed to select
58 particular health benefit products.

59 (d) A small employer carrier shall treat all health benefit plans issued or renewed in the
60 same calendar month as having the same rating period.

61 (5) A health benefit plan that uses a restricted network provision may not be considered
62 similar coverage to a health benefit plan that does not use a restricted network provision,
63 provided that use of the restricted network provision results in substantial difference in claims

64 costs.

65 (6) The small employer carrier may not use case characteristics other than the
66 following:

67 (a) age of the employee, [~~as determined at the beginning of the plan year, limited to:~~] in
68 accordance with Subsection (7):

69 (b) geographic area;

70 (c) family composition in accordance with Subsection (8); and

71 (d) for plans renewed or effective on or after July 1, 2011, gender of the employee and
72 spouse.

73 (7) Age shall be determined at the beginning of the plan year, limited to:

74 [(+)] (a) the following age bands:

75 [(A)] (i) less than 20;

76 [(B)] (ii) 20-24;

77 [(C)] (iii) 25-29;

78 [(D)] (iv) 30-34;

79 [(E)] (v) 35-39;

80 [(F)] (vi) 40-44;

81 [(G)] (vii) 45-49;

82 [(H)] (viii) 50-54;

83 [(I)] (ix) 55-59;

84 [(J)] (x) 60-64; and

85 [(K)] (xi) 65 and above; and

86 [(ii)] (b) a standard slope ratio range for each age band, applied to each family

87 composition tier rating structure under Subsection [(6)(c)] (8):

88 [(A)] (i) as developed by the commissioner by administrative rule; and

89 [(B)] (ii) not to exceed an overall ratio [~~of 5:1; and~~] as provided in Subsection (7)(c).

90 (c) (ii) The overall ratio permitted in Subsection (7)(b)(ii) may not exceed:

91 (A) 5:1 for plans renewed or effective before January 1, 2012; and

92 (B) 6:1 for plans renewed or effective on or after January 1, 2012; and

93 [(C)] (ii) the age slope ratios for each age band may not overlap[;].

94 [(b) ~~geographic area;~~]

- 95 ~~[(c) family]~~ (8) Family composition[;] is limited to:
- 96 ~~[(†)]~~ (a) an overall ratio of ~~[5:1 or less; and]~~:
- 97 ~~[(ii) a four]~~
- 98 (i) 5:1 or less for plans renewed or effective before January 1, 2012; and
- 99 (ii) 6:1 or less for plans renewed or effective on or after January 1, 2012; and
- 100 (b) a tier rating structure that includes:
- 101 (i) for plans renewed or effective before January 1, 2012, four tiers that include:
- 102 (A) employee only;
- 103 (B) employee plus spouse;
- 104 (C) employee plus a dependent or dependents; and
- 105 (D) a family, consisting of an employee plus spouse, and a dependent or dependents;
- 106 and
- 107 ~~[(d) gender of the employee or spouse.]~~
- 108 (ii) for plans renewed or effective on or after January 1, 2012, five tiers that include:
- 109 (A) employee only;
- 110 (B) employee plus spouse;
- 111 (C) employee plus one dependent, other than a spouse;
- 112 (D) employee plus more than one dependent, other than a spouse; and
- 113 (E) a family, consisting of an employee plus spouse, and a dependent or dependents.
- 114 ~~[(7)]~~ (9) If a health benefit plan is a health benefit plan into which the small employer
- 115 carrier is no longer enrolling new covered insureds, the small employer carrier shall use the
- 116 percentage change in the base premium rate, provided that the change does not exceed, on a
- 117 percentage basis, the change in the new business premium rate for the most similar health
- 118 benefit product into which the small employer carrier is actively enrolling new covered
- 119 insureds.
- 120 ~~[(8)]~~ (10) (a) A covered carrier may not transfer a covered insured involuntarily into or
- 121 out of a class of business.
- 122 (b) A covered carrier may not offer to transfer a covered insured into or out of a class
- 123 of business unless the offer is made to transfer all covered insureds in the class of business
- 124 without regard to:
- 125 (i) case characteristics;

126 (ii) claim experience;

127 (iii) health status; or

128 (iv) duration of coverage since issue.

129 ~~[(9)]~~ (11) (a) Each small employer carrier shall maintain at the small employer carrier's
 130 principal place of business a complete and detailed description of its rating practices and
 131 renewal underwriting practices, including information and documentation that demonstrate that
 132 the small employer carrier's rating methods and practices are:

133 (i) based upon commonly accepted actuarial assumptions; and

134 (ii) in accordance with sound actuarial principles.

135 (b) (i) Each small employer carrier shall file with the commissioner on or before April
 136 1 of each year, in a form and manner and containing information as prescribed by the
 137 commissioner, an actuarial certification certifying that:

138 (A) the small employer carrier is in compliance with this chapter; and

139 (B) the rating methods of the small employer carrier are actuarially sound.

140 (ii) A copy of the certification required by Subsection ~~[(9)]~~ (11)(b)(i) shall be retained
 141 by the small employer carrier at the small employer carrier's principal place of business.

142 (c) A small employer carrier shall make the information and documentation described
 143 in this Subsection ~~[(9)]~~ (11) available to the commissioner upon request.

144 ~~[(10)]~~ (12) (a) The commissioner shall ~~[, by July 1, 2010,]~~ establish rules in accordance
 145 with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, to:

146 (i) implement this chapter; and

147 (ii) assure that rating practices used by small employer carriers under this section and
 148 carriers for individual plans under Section 31A-30-106 ~~[, in effect on January 1, 2011,]~~ are
 149 consistent with the purposes of this chapter.

150 (b) The rules may:

151 (i) assure that differences in rates charged for health benefit plans by carriers are
 152 reasonable and reflect objective differences in plan design, not including differences due to the
 153 nature of the groups or individuals assumed to select particular health benefit plans; and

154 (ii) prescribe the manner in which case characteristics may be used by small employer
 155 and individual carriers.

156 ~~[(11)]~~ (13) Records submitted to the commissioner under this section shall be

157 maintained by the commissioner as protected records under Title 63G, Chapter 2, Government
158 Records Access and Management Act.

159 Section 2. Section **31A-30-211** is amended to read:

160 **31A-30-211. Insurer disclosure.**

161 (1) The Health Insurance Exchange shall provide an ~~[employer and an]~~ employer's
162 producer with the group's risk factor used to calculate the employer group's premium at the
163 time of:

164 (a) the initial offering of a health benefit plan; and

165 (b) the renewal of a health benefit plan.

166 (2) For health benefit plans that renew on or after March 1, 2012:

167 (a) a carrier ~~[in the small employer market under Part 1, Individual and Small~~
168 ~~Employer Group,]~~ shall provide an employer and the employer's producer with premium
169 renewal rates at least 60 days prior to the group's renewal date for a plan offered under Part 1,
170 Individual and Small Employer Group; and

171 (b) the Health Insurance Exchange shall provide ~~[an employer who is participating in~~
172 ~~the defined contribution arrangement market of the Health Insurance Exchange and the]~~ an
173 employer and the employer's producer with premium renewal rates at least 60 days prior to ~~[a]~~
174 the group's renewal date for a plan offered under Part 2, Defined Contribution Arrangements.