

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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SENATE BILL 652

Short Title: Small Employer Coverage Changes.

(Public)

Sponsors: Senator Rand.

Referred to: Pensions and Retirement/Insurance/State Personnel

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
twenty percent (20%) for any reason, including differences in
administrative costs and claims experience.

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

- 1 ~~1, 1997, renewal rates shall be based on the same adjusted~~
2 ~~community rating standard applied to new business.~~
- 3 (6) For the purposes of subsection (b) of this section, a small employer
4 carrier ~~shall not use~~ shall, unless the employer uses composite rating, use
5 the following age brackets of less than five years; brackets:
- 6 a. Younger than 15 years;
7 b. 15 to 19 years;
8 c. 20 to 24 years;
9 d. 25 to 29 years;
10 e. 30 to 34 years;
11 f. 35 to 39 years;
12 g. 40 to 44 years;
13 h. 45 to 49 years;
14 i. 50 to 54 years;
15 j. 55 to 59 years;
16 k. 60 to 64 years;
17 l. 65 years.
- 18 Carriers may combine, but shall not split, complete age brackets for the
19 purposes of determining rates under subsection (b) of this section.
20 Small employer carriers shall be permitted to develop separate rates for
21 individuals aged 65 years and older for coverage for which Medicare is
22 the primary payor and coverage for which Medicare is not the primary
23 payor.
- 24 (7) For the purposes of subsection (b) of this section, a carrier shall not
25 apply different geographic rating factors to the rates of small employers
26 located within the same county; and
- 27 (8) The Department may adopt rules to administer this subsection and to
28 assure that rating practices used by small employer carriers are
29 consistent with the purposes of this subsection. Those rules shall include
30 consideration of differences based on the following:
- 31 a. Health benefit plans that use different provider network
32 arrangements may be considered separate plans for the purposes
33 of determining the rating in subdivision (1) of this subsection,
34 provided that the different arrangements are expected to result in
35 substantial differences in claims costs;
- 36 b. Except as provided for in sub-subdivision a. of this subdivision,
37 differences in ~~premium~~ rates charged for different health benefit
38 plans shall be reasonable and reflect objective differences in plan
39 design, but shall not permit differences in premium rates because
40 of the ~~demographics~~ case characteristics of groups assumed to
41 select particular health benefit plans; and
- 42 c. Small employer carriers shall apply allowable rating factors
43 consistently with respect to all small employers. ~~Adjustments in~~

1 rates for age, gender, and geography shall not be applied
2 individually. Any such adjustment shall be applied uniformly to
3 the rate charged for all employee enrollees of the small
4 employer."

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

6 "(21) 'Qualified health care plans' means the basic or standard health care
7 plans offered by an Accountable Health Carrier to member small
8 employers and as authorized by the Small Employer Carrier
9 Committee pursuant to G.S. ~~58-50-120~~, 58-50-120 and other plans as
10 approved by the Board."

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

12 "(2) Accept applications by carriers to qualify as Accountable Health
13 Carriers, determine the eligibility of carriers to become Accountable
14 Health Carriers according to criteria described in G.S. 143-629, ~~and~~
15 designate carriers as Accountable Health Carriers. Carriers, and
16 approve qualified health care plans offered to small employers
17 beyond the basic and standard health care plans."

18 Sec. 4. G.S. 143-628(6) reads as rewritten:

19 "(6) Pay contracted rates to Accountable Health Carriers and other
20 qualified third parties on a monthly basis or as otherwise mutually
21 agreed pursuant to G.S. 143-631;"

22 Sec. 5. G.S. 143-628(9) reads as rewritten:

23 "(9) Contract, as authorized by the Alliance Board of Directors, with a
24 qualified third party for any service necessary to carry out the
25 powers and duties as defined in this ~~section~~, section or as otherwise
26 determined by the Board, including contracts with agents to assist in
27 contracting with Accountable Health Carriers and small employers
28 and to assist the Alliance in undertaking activities necessary to
29 administer the Alliance, such as marketing and publicizing the
30 availability of the qualified health care plans;"

31 Sec. 6. The Small Group Carrier Committee, the Department of Insurance, and
32 the State Health Plan Purchasing Alliance Board shall report no later than January 1,
33 1997, to the Joint Legislative Commission on Governmental Operations on the following:

- 34 (1) The market impact study of adjusted community rating on the small
35 group markets in other states, especially in Florida, California,
36 Kentucky, South Carolina, and Maryland;
- 37 (2) A market impact study to evaluate the short-term and long-term
38 effect of adjusted community rating on the small group market in
39 North Carolina; and
- 40 (3) If deemed necessary, a proposed timeline for a transition toward
41 adjusted community rating without experience and administrative
42 expense bands.

43 Sec. 7. This act is effective upon ratification.