

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1165 Session of
1999

INTRODUCED BY SCRIMENTI, MANDERINO, GLADECK, TIGUE, CARN,
YOUNGBLOOD, STABACK, BELARDI, BEBKO-JONES, SOLOBAY, PESCI,
MYERS, JOSEPHS, READSHAW, CASORIO, TRELLO, SHANER, WILLIAMS,
TRAVAGLIO, LAUGHLIN, WALKO, HARHAI, M. COHEN, SURRA, BROWNE,
PETRARCA, CURRY, STEELMAN, RAMOS, WASHINGTON, MAHER, TRICH
AND JAMES, APRIL 7, 1999

REFERRED TO COMMITTEE ON INSURANCE, APRIL 7, 1999

AN ACT

1 Requiring the issuance of health insurance at an affordable
2 level for small employer groups, for the rating of basic
3 small group insurance plans, for renewability of coverage and
4 for review of the reforms.

5 The General Assembly of the Commonwealth of Pennsylvania
6 hereby enacts as follows:

7 Section 1. Short title.

8 This act shall be known and may be cited as the Small
9 Business Health Insurance Reform Act.

10 Section 2. Legislative findings and declaration of policy.

11 The General Assembly finds and declares as follows:

12 (1) A significant number of persons in this Commonwealth
13 are without health insurance. Approximately two-thirds of the
14 uninsured population are employed persons or dependents of
15 employed persons.

16 (2) The working uninsured in this Commonwealth tend to
17 be employed by small businesses.

(3) Several factors, such as cost shifting, high premium costs and underwriting and rating practices, have made health insurance coverage prohibitively expensive for small employer groups.

(4) The Commonwealth should initiate measures to enhance the affordability of health insurance for small employer groups.

Section 3. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Basic small group insurance plan." A policy or subscription contract which an insurer offers to a small employer group. The term does not include a policy or subscription contract offered by an association made up entirely or in part by small employer groups.

"Commissioner." The Insurance Commissioner of the Commonwealth.

"Community rate." A means of determining premium rates for basic small group insurance plans by placing all beneficiaries of such policies into one large group, actuarially projecting the claims of the group and setting premium rates accordingly.

"Department." The Insurance Department of the Commonwealth.

"Dependent children." Includes the natural and adopted children of the employee. The term may include stepchildren residing in the household if the employee has assumed the financial responsibility for the child and another parent is not legally responsible for support for and medical expenses of the child.

"Eligible dependent." Includes only spouses of employees and

1 dependent children under 19 years of age.

2 "Insurer." An insurer, health maintenance organization,
3 fraternal benefit society, hospital plan or health services plan
4 corporation offering basic small group insurance plans to small
5 employers.

6 "Qualified individual." Any person employed by a small
7 employer who is an active employee or eligible dependent.

8 "Small employer." A person, firm, corporation, partnership
9 or association which employed, on at least 50% of its working
10 days during the preceding year, at least two but not more than
11 50 employees.

12 "Small employer group." A group composed of qualified
13 individuals.

14 Section 4. Issuance of basic small group insurance plans
15 required.

16 (a) General rule.--Insurers shall issue basic small group
17 insurance plans to small employer groups.

18 (b) Eligibility.--A small employer group shall be eligible
19 to elect a basic small group insurance plan only if the small
20 employer has not provided health insurance coverage, directly or
21 indirectly, to qualified individuals within the group anytime
22 during the immediately preceding 12-month period.

23 (c) Coverage.--Basic small group insurance plans shall be
24 offered without regard to coverage mandated for group accident
25 and health insurance policies under section 632 and Article VI-A
26 of the act of May 17, 1921 (P.L.682, No.284), known as The
27 Insurance Company Law of 1921, and the act of August 1, 1975
28 (P.L.157, No.81), entitled "An act providing for the health and
29 welfare of newborn children and their parents by regulating
30 certain health insurance coverage for newborn children." In

1 devising basic small group insurance plans, insurers are
2 encouraged to offer a basic level of primary care and may offer
3 preventive care. Such plans may also include managed care
4 provisions to control the cost of a basic small group insurance
5 plan. Nothing in this act prohibits an insurer from offering
6 different tiers of basic small group insurance plans which
7 provide different levels of benefits or from offering benefits
8 in addition to those offered under the basic small group
9 insurance plan and charging an additional premium accordingly.

10 Section 5. Rating of basic small group insurance plans.

11 (a) General rule.--In determining the premium rates to be
12 charged for basic small group insurance plans, insurers shall
13 establish a community rate. This community rate shall be based
14 strictly on the utilization of people in the new basic small
15 group insurance plans and not combined with any other currently
16 existing community rated plan's experience. Premium rates for
17 basic small group insurance plans shall be calculated annually
18 and trended monthly for all new and renewing groups. The rates
19 shall not be based on a small employer group's own health claims
20 experience nor on the small employer group's own demographic
21 characteristics.

22 (b) Inclusion of all members in small employer group.--When
23 an insurer offers a basic small group insurance plan to a small
24 employer group, it shall not exclude from coverage any qualified
25 individual within that group. This requirement shall also apply
26 to eligible dependents if the small employer elects to extend
27 coverage to them.

28 (c) Limitation of consideration of certain conditions.--An
29 insurer shall not use as an underwriting criterion a condition,
30 whether physical or mental, regardless of the cause of the

1 condition, for which medical advice, diagnosis, care or
2 treatment was recommended to or received by a qualified employee
3 more than 90 days following the date of application for
4 enrollment in a group plan.

5 Section 6. Renewability of coverage.

6 Basic small group insurance plans shall be renewable at the
7 option of the small employer except for any of the following
8 reasons:

9 (1) Nonpayment of required premiums.

10 (2) Fraud or misrepresentation of the small employer or,
11 with respect to coverage of an insured individual, fraud or
12 misrepresentation by the insured individual or the
13 individual's representative.

14 (3) Noncompliance with plan provisions, including
15 provisions regarding minimum numbers of or percentages of
16 insureds.

17 (4) When the insurer ceases doing business in the small
18 employer market, provided that all of the following
19 conditions are met:

20 (i) Notice of the decision to cease doing business
21 in the small employer market is provided to the
22 department and the small employer.

23 (ii) Basic small group insurance plans shall not be
24 canceled by the insurer for one year after the date of
25 the notice required under subparagraph (i) unless the
26 business is sold to another insurer.

27 (iii) An insurer that ceases to do business in the
28 small employer marketplace is prohibited from reentering
29 the small employer marketplace for a period of five years
30 from the date of the notice required under subparagraph

1 (i).

2 Section 7. Review of reforms.

3 (a) Appointment of panel.--Five years from the effective
4 date of this act, the commissioner shall appoint a review panel
5 to study the effects of this act on the small employer group
6 insurance marketplace. Whenever appointing members to the panel,
7 the commissioner shall ensure that the members represent the
8 diverse interests in the small employer group insurance
9 marketplace.

10 (b) Review by panel.--In its study of the effects of this
11 act, the panel shall consider the following:

12 (1) The impact of the reforms on the uninsured rate in
13 this Commonwealth and specifically on the rate of uninsured
14 persons who are employed or dependents of unemployed persons.

15 (2) The number of small businesses that lacked health
16 insurance coverage prior to enactment of this act but since
17 obtained coverage.

18 (3) The number of insurers who established and offered
19 basic small group insurance plans.

20 (4) The need for further reforms in the small employer
21 group insurance marketplace.

22 (5) Any additional aspects of the issue which the panel
23 deems relevant to consider.

24 (c) Report of panel.--The panel shall report its findings
25 and make recommendations as appropriate to the commissioner, the
26 Governor and the General Assembly within 18 months of its
27 appointment by the commissioner.

28 Section 8. Effective date.

29 This act shall take effect in 60 days.