

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 505 Session of
1993

INTRODUCED BY SCRIMENTI, CAPPABIANCA, TRICH, KIRKLAND, VEON,
BELARDI, VAN HORNE, PISTELLA, JAMES, O'BRIEN, FAJT, GRUITZA,
KENNEY AND BELFANTI, MARCH 15, 1993

REFERRED TO COMMITTEE ON INSURANCE, MARCH 15, 1993

AN ACT

1 Providing for 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,
4 for limits on preexisting condition provisions and for review
5 of the reforms.

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

8 Section 1. Short title.

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

11 Section 2. Legislative findings and declaration of policy.

12 The General Assembly finds and declares as follows:

13 (1) There are approximately 1,000,000 persons in this
14 Commonwealth without health insurance. Approximately two-
15 thirds of the uninsured population are employed persons or
16 dependents of employed persons.

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

19 (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 may choose to offer 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 dependent children under 19 years of age.

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

5 "Preexisting condition provision." A policy provision that
6 excludes or limits coverage for charges or expenses incurred
7 during a specified period following the insured's effective date
8 of coverage as to a condition which, during a specified period
9 immediately preceding the effective date of coverage, had
10 manifested itself in a manner that would cause an ordinarily
11 prudent person to seek medical advice, diagnosis, care or
12 treatment or for which medical advice, diagnosis, care or
13 treatment was recommended or received.

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

16 "Small employer." A person, firm, corporation, partnership
17 or association which employed, on at least 50% of its working
18 days during the preceding year, at least two but not more than
19 50 employees.

20 "Small employer group." A group composed of qualified
21 individuals.

22 Section 4. Issuance of basic small group insurance plans.

23 (a) General rule.--Insurers are authorized to issue basic
24 small group insurance plans to small employer groups.

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

30 (c) Coverage.--Basic small group insurance plans may be

1 offered without regard to coverage mandated for group accident
2 and health insurance policies under section 632 and Article VI-A
3 of the act of May 17, 1921 (P.L.682, No.284), known as The
4 Insurance Company Law of 1921, and the act of August 1, 1975
5 (P.L.157, No.81), entitled "An act providing for the health and
6 welfare of newborn children and their parents by regulating
7 certain health insurance coverage for newborn children." In
8 devising basic small group insurance plans, insurers are
9 encouraged to offer a basic level of primary care and may offer
10 preventive care. Such plans may also include managed care
11 provisions to control the cost of a basic small group insurance
12 plan. Nothing in this act prohibits an insurer from offering
13 different tiers of basic small group insurance plans which
14 provide different levels of benefits or from offering benefits
15 in addition to those offered under the basic small group
16 insurance plan and charging an additional premium accordingly.
17 Section 5. Rating of basic small group insurance plans.

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

29 (b) Inclusion of all members in small employer group.--If an
30 insurer elects to offer a basic small group insurance plan to a

1 small employer group, it shall not exclude from coverage any
2 qualified individual within that group. This requirement shall
3 also apply to eligible dependents if the small employer elects
4 to extend coverage to them.

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. Preexisting condition provisions.

3 (a) General rule.--If an insurer applies a preexisting
4 condition provision to coverage under a basic small group
5 insurance plan, the provision shall not exclude or limit
6 coverage for a period beyond six months following the
7 individual's effective date of coverage and may only relate to
8 conditions during the 12 months immediately preceding the
9 effective date of coverage.

10 (b) Exception.--An insurer shall not apply a preexisting
11 condition provision to an individual who has been continually
12 insured. For the purposes of this section, "continually insured"
13 shall mean having had health insurance coverage, whether
14 individual or group coverage, continuously for the preceding 12-
15 month period. An individual shall be considered continually
16 insured even if his coverage has been interrupted by a period of
17 temporary unemployment, including, but not limited to, changing
18 of jobs and temporary layoffs, so long as the period of
19 temporary unemployment has not exceeded a period of six months
20 in the preceding 12-month period.

21 Section 8. Review of reforms.

22 (a) Appointment of panel.--Five years from the effective
23 date of this act, the commissioner shall appoint a review panel
24 to study the effects of this act on the small employer group
25 insurance marketplace. Whenever appointing members to the panel,
26 the commissioner shall ensure that the members represent the
27 diverse interests in the small employer group insurance
28 marketplace.

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

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

4 (2) The number of small businesses that lacked health
5 insurance coverage prior to enactment of this act but since
6 obtained coverage.

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

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

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

13 (c) Report of panel.--The panel shall report its findings
14 and make recommendations as appropriate to the commissioner, the
15 Governor and the General Assembly within 18 months of its
16 appointment by the commissioner.

17 Section 9. Effective date.

18 This act shall take effect in 60 days.