

State of Idaho
DEPARTMENT OF INSURANCE

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B U L L E T I N NO. 93-6

DATE: October 13, 1993

TO: All Small Group Health Insurance Carriers

FROM: Harry C. Walrath *H.C. Walrath.*
Director

SUBJECT: Small Employer Health Insurance Availability Act
Chapter 47, Title 41, Idaho Code
Filing of Forms
Case Characteristics
Sales Literature
Sales History and Records
Annual Actuarial Certification
Individual Health Plans "List Billing"

Section 41-4708, Idaho Code, entitled "Availability of Coverage," indicates that every carrier issuing or maintaining health benefit plans covering small employers shall, as a condition of transacting such business in Idaho, offer a basic and standard small employer health insurance plan. Every small employer which elects to be covered under the Small Employer Health Insurance Availability Act will agree to make the required premium payments and to satisfy the other provisions of the Small Employer Health Insurance Availability Act.

Senate Bill 1039 was presented to the legislature in an effort to promote the availability of health insurance coverage to small employers regardless of their health status or claims experience:

1. To prevent abusive rating practices,
2. To require disclosure of rating practices to purchasers,
3. To establish rules regarding renewability of coverage,
4. To establish limitations on the use of preexisting condition exclusions,

5. To provide for the development of the basic and standard health benefit plans to be offered to all small employers and to provide for establishment of a Reinsurance Program, and
6. To improve fairness and efficiency of the small group health insurance market.

Based upon the provisions of the statute, small employer carriers need to start meeting the requirements of Chapter 47, Idaho Code, as it pertains to the Small Employer Health Insurance Availability Act once the plan of operation has been approved in writing by the Director. Additionally, the Health Benefit Plan Committee is working on basic and standard plans to be offered under the provisions of the Act. It is hoped that these two plans (the basic and standard) will be available for carriers' review in late October. The Basic and Standard plans, as recommended by the Health Benefit Plan Committee, have currently been submitted to the actuary for review. Once the rating structures have been developed and the Director has had an opportunity to approve the basic and standard plans, such plans will be forwarded to all carriers who are currently marketing, or have expressed an interest in marketing, to Small Group Employers in Idaho. Nevertheless, on or by January 1, 1994, every small employer carrier must be in a position to accept business from a small employer desiring a Small Employer Health Insurance Plan. Each carrier will have to develop, and have available for distribution, sales literature, outlines of coverage, rate manuals and other essential materials pertaining to the Small Employer Health Insurance Availability Act necessary to fulfill the requirements of the Act.

Due to the limited time available to develop rates for the basic and standard plans, the Idaho Department of Insurance does request that all Small Employer Carriers be prepared to quote its most reasonable estimate as to premium rates, based on the current recommendation for the Basic and Standard Plans. Such proposed plans and rates should be filed following the forms filing requirement outlined in this Bulletin with the Idaho Department of Insurance prior to January 1, 1994. A Small Employer Carrier will be able to market small group products based on this filed information. There will be a provision, however, that such premium rates as developed must meet the rating requirement of the Act.

Further, we request that should premium or benefit problems be noted by the Insurance Department or the Small Employer Carrier, arrangements will have to be made to modify plans and/or correct payment schedules. Such corrections of benefits and premium payment will be retroactive back to the effective date of the policy once the basic and standard small employer health insurance plans and rates are ultimately approved by the Department.

FILING OF FORMS

Please be advised that based upon the requirements within the Act to assure fair rating practices, all small employer health insurance policies and/or certificates which are issued or delivered to any person in the state of Idaho must be filed by the small employer carrier with the Department of Insurance.

In the submission of rate filings in conjunction with the Rating Requirements of Senate Bill 1039, we believe that a Carrier's Small Group rate filings should include the following information:

- A. The complete and detailed description of its rating practices and renewal underwriting practices. This should include any exceptions or variations which may be used for the business. Specifically, this description would include:
 1. Duplicate copies of the benefit plan contracts and certificates, if not previously filed and approved by the Department.
 2. Duplicate copies of the rating manual
 3. The formula for calculating a group's rate from the rating manual. Examples of the application of the rating formula to verify the rates actually being charged.
- B. Complete information concerning any policy fee, administrative charges or application charges which may apply to any group in any class, regardless of whether or not such fees or charges end up being remitted to the carrier.

- C. An actuarial certification as to the fact that the filing complies with the requirements of Senate Bill 1039, as well as submitting information and documentation that demonstrate that the carrier's rating methods and practices are based upon commonly accepted actuarial assumptions and are in accordance with sound actuarial principles.
- D. Filing must be accompanied by the appropriate forms and fees under Idaho Rule 9 and Rule 44.

CASE CHARACTERISTICS

Senate Bill 1039 was written to significantly restrict some premium rating practices. The Director has determined that no other case characteristics than age and gender will be considered for a period of time to allow for a credible experience study. A Small Employer Carrier should use the same case characteristics in establishing premium rates for each health benefit plan in the class of business, and shall apply them in the same manner in establishing premium rates for each such Health Benefit Plan. Case characteristics shall be applied without regard to the risk characteristics of a Small Employer. Family composition may be considered based on the following breakout.

- a. Employee
- b. Employee/Spouse
- c. Employee/Child
- d. Employee/Children
- e. Employee/Family

SALES LITERATURE

In connection with the offering of any Health Benefit Plan to a Small Employer, Idaho Code Section 41-4706(4) provides that a Small Employer Carrier shall make a reasonable disclosure as part of its solicitation and sales material of all of the following:

- 1. The extent to which premium rates for a specified Small Employer are established or adjusted, based upon the actual or expected variation in claims costs, or actual or expected variation in health status of the employees of the Small Employer and their dependents.

2. The provisions of the Health Benefit Plan concerning the Small Employer Carriers' right to change premium rates and the factors, other than claims experience, that affect the changes in premium rates.
3. The provisions relating to renewability of policies and contracts.
4. The provisions relating to any pre-existing condition provision.
5. A Small Employer Carrier's advertising files must meet the requirements of Idaho Rule 24.8, as it pertains to enforcement procedures to Advertisement of Disability (accident and sickness insurance).

It is both necessary and desirable for agents and potential customers to have adequate information about the product they are buying. This sales material disclosure should contain meaningful summaries of insurers rating and other key market practices.

SALES HISTORY AND RECORDS

A Small Employer Carrier shall maintain at its principal place of business, a complete and detailed description of its rating practices and renewal underwriting practices, including information and documentation that demonstrate that its rating methods and practices are based upon commonly accepted actuarial assumptions, and are in accordance with sound actuarial principles.

In addition, the Small Employer Carrier shall maintain complete records with regard to all individual and list billing policies which were in effect on July 1, 1993. This material should be available to the Director at his request, for a period of three (3) years following the effective date of this Act.

Insurers should maintain a complete technical description of their rating and renewal underwriting practices for market conduct.

ANNUAL ACTUARIAL CERTIFICATION COMPLIANCE WITH THIS ACT

Each Small Employer Carrier shall file with the Director annually on or before March 15, actuarial certification

certifying that the Carrier is in compliance with the provisions of this chapter, and that the rating methods of the Small Employer Carrier are actuarially sound. A copy of the certification shall be retained by the Small Employer Carriers at its principal place of business.

This information should be prepared by a qualified actuary. The documentation would be available for examination by regulators at the home office of the insurer. However, the compliance with the insurer's obligation must be demonstrated as to the soundness of the insurer's rating and underwriting practices.

The actuary should provide a written verification as to the completeness of the documentation maintained in the insurer's home office, and verification as to testing of the rate structure to assure it did not exceed statutory rating limits. Statements should attest to the actuarial soundness of the insurers rating and underwriting practices.

INDIVIDUAL HEALTH BENEFIT PLANS "LIST BILLINGS"

Senate Bill 1039 did subject the individual Health Insurance Plans and List Billing products to the provisions of this Act, if any of the following conditions are met:

1. Any portion of the premium or benefits would be paid by or on behalf of a Small Employer.
2. An eligible employee or dependent would be reimbursed, whether through wage adjustments or otherwise by or on behalf of the Small Employer for any portion of the premium; or
3. Coverage for an Eligible Employee or dependent would be billed through a Small Employer under a listed or similar arrangement; or
4. The health benefit plan is treated by the employer or any of the eligible employees or dependents as part of a plan or program for the purposes of section 162, section 125 or section 106 of the United States Internal Revenue Code.

Many of the carriers have submitted a supplement to their individual enrollment application. Senate Bill 1039 was enacted to provide for the availability of Small Employer Group coverage. Based on recent telephone and written inquiries to the Department of Insurance, it was determined that portions of Senate Bill 1039, particularly Idaho Code

Section 41-4704, as it pertains to availability and scope, may be impeding this process if enforced prior to the availability of Small Group products. Therefore, the Department has requested that Carriers continue to offer these individual or list bill plans until such time as we have basic and/or standard group plans available. No administrative action will be taken against the Small Employer Carriers providing this availability of coverage prior to January 1, 1994. Once these Small Group products are approved, by approximately, January 1, 1994, we will work with the Carriers to bring about a reasonable transition. The transition guidelines will be thoroughly defined within the proposed Department of Insurance Rule.