



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

BULLETIN NO. HC-44 A
February 11, 1991

TO: ALL INSURANCE COMPANIES AND HEALTH CARE CENTERS LICENSED
TO WRITE HEALTH CARE COVERAGE IN CONNECTICUT

RE: SMALL EMPLOYER HEALTH CARE PLANS AND MARKET REFORMS
Public Act No. 90-134 (Sections 38a-564 to 38a-573,
C.G.S.)

Background

Public Act 90-134, An Act Concerning The Recommendations of The Blue Ribbon Commission on State Health Insurance, provided for a number of changes in the small employer health care coverage market in Connecticut. The Act's provisions serve to broaden the availability of health care coverage to Connecticut employers with 25 or fewer employees. It also provided for the creation of a Small Employer Health Reinsurance Pool to which insurers (which includes HMOs) may cede individuals or groups from such cases.

The Insurance Commissioner approved the creation of the Pool Board of Directors on August 23, 1990. This board was charged by statute with preparing a plan of operations and submitting it to the Commissioner within 90 days. The Plan was submitted on November 21, 1990. It was modified at the direction of the Commissioner to be more efficient administratively, was the subject of a public hearing on January 29, 1991 and was approved on February 1. The Reinsurance Pool will be operational on May 1, 1991.

In addition, the Insurance Commissioner has approved statutorily required Small Employer and Special Health Care Plans for both insurance carriers and HMOs effective February 1.

Statutory Plans

Effective May 1, all insurers with small employer cases must as a condition of doing business in Connecticut, have filed with the Insurance Department and offer the Small Employer and Special Health care benefit plans as approved by the Commissioner. Insurers are required to offer the Small Employer plan which correspond to the products they currently offer to groups below twenty-six employees. The statute contains a "file and use" provision for these statutory plans.

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Insurers should submit the base rates to be charged for such plans and a certification that the Special Health Care Plan's loss ratio is not anticipated to be less than 75% of the premium.

Insurers may issue individual Special Health Care Plans as well, provided such plans are identical to the Individual Special Health Care Plan made available through Connecticut's Health Reinsurance Association.

Small Employer Market Reforms

Pursuant to Section 17 and 18 of PA 90-134 (codified as Sections 38a-566 and 38a-567), all individual or group insurers and health care centers licensed to issue health insurance coverage in Connecticut and providing such coverage which is paid for in part by an employer or as part of a benefit plan under Internal Revenue Code Sections 162 or 106 must comply with the following provisions.

For all small employer group health insurance plans or arrangements delivered, issued for delivery, renewed or continued in Connecticut on or after July 1, 1990:

- o Pre-existing conditions limitations may not exclude coverage beyond 12 months following the coverage effective date for conditions manifesting themselves within 6 months prior to such effective date of coverage.

Any small employer shall be renewable at the option of the policyholder except for:

- o Non-payment of premium;
- o Fraud or misrepresentation;
- o Non-compliance with valid policy provisions;
- o Failing to meet minimum policy participation requirements;
- o Policyholder or contractholder's going out of business.

For plans issued after July 1, 1990:

- o Premium rates may not exceed 200% of the lowest new business rate for the same or similar coverage for employers with similar case characteristics.
- o After July 1, 1995 this requirement is also applied to plans issued prior to July 1, 1990.

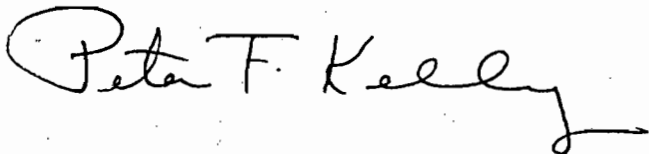
- o Annual premium increases may not exceed:
 - o Any % increase in the base rate, plus
 - o Any adjustment due to a change in case characteristics, plus
 - o If premium rates are below 200% of base rates, an additional increase of up to 20%.

- o Insurers and HMOs who issue or offer policies for which the premium may vary based on claim costs or health condition of covered persons must disclose this practice in solicitation and sales material.

Effective May 1, 1991 (the effective date for reinsurance pool operations):

- o All plans which apply pre-existing condition provisions must credit the time the person was covered under a previous group's plan as a Connecticut resident provided the prior coverage was in effect to within 30 days of the effective date of new coverage.

- o No plan may exclude any eligible employee or dependent, who is not a late enrollee, on the basis of their actual or anticipated health condition.



Peter F. Kelly
Commissioner