

By the Committees on Banking and Insurance; Commerce and Economic Opportunities; and Senator Holzendorf

311-2090A-99

1 A bill to be entitled
2 An act relating to the Employee Health Care
3 Access Act; amending s. 627.6699, F.S.;
4 modifying definitions; requiring small employer
5 carriers to begin to offer and issue all small
6 employer benefit plans on a specified date;
7 deleting the requirement that basic and
8 standard small employer health benefit plans be
9 issued; providing additional requirements for
10 determining premium rates for benefit plans;
11 providing for applicability of the act to plans
12 provided by small employer carriers that are
13 insurers or health maintenance organizations
14 notwithstanding the provisions of certain other
15 specified statutes under specified conditions;
16 providing an effective date.

17

18 Be It Enacted by the Legislature of the State of Florida:

19

20 Section 1. Paragraph (n) of subsection (3), paragraph
21 (c) of subsection (5), and paragraphs (b) and (d) of
22 subsection (6) of section 627.6699, Florida Statutes, 1998
23 Supplement, are amended to read:

24 627.6699 Employee Health Care Access Act.--

25 (n) "Modified community rating" means a method used to
26 develop carrier premiums which spreads financial risk across a
27 large population and allows adjustments for age, gender,
28 family composition, tobacco usage, and geographic area as
29 determined under paragraph (5)(j), claims experience, health
30 status, or duration of coverage as permitted under
31 subparagraph (6)(b)5. and for administrative and acquisition

1 expenses as permitted under subparagraph (6)(b)6. paragraph
2 ~~(5)(k).~~
3 (5) AVAILABILITY OF COVERAGE.--
4 (c) Every small employer carrier must, as a condition
5 of transacting business in this state:
6 1. Beginning July 1, 1999, ~~January 1, 1994~~, offer and
7 issue all small employer health benefit plans on a
8 guaranteed-issue basis to every eligible small employer, with
9 2 3 to 50 eligible employees, that elects to be covered under
10 such plan, agrees to make the required premium payments, and
11 satisfies the other provisions of the plan. A rider for
12 additional or increased benefits may be medically underwritten
13 and may only be added to the standard health benefit plan.
14 The increased rate charged for the additional or increased
15 benefit must be rated in accordance with this section.
16 2. Beginning August 1, 1999, ~~April 15, 1994~~, offer and
17 issue basic and standard small employer health benefit plans
18 on a guaranteed-issue basis during a 31-day open enrollment
19 period of August 1 through August 31 of each year, to every
20 eligible small employer, with less than one or two eligible
21 employees, which small employer is not formed primarily for
22 the purposes of buying health insurance and which elects to be
23 covered under such plan, agrees to make the required premium
24 payments, and satisfies the other provisions of the plan.
25 Coverage provided pursuant to this subparagraph shall begin on
26 October 1 of the same year as the date of enrollment, unless
27 the small employer carrier and the small employer agree to a
28 different date. A rider for additional or increased benefits
29 may be medically underwritten and may only be added to the
30 standard health benefit plan. The increased rate charged for
31 the additional or increased benefit must be rated in

1 accordance with this section. For purposes of this
2 subparagraph, a person, his or her spouse, and his or her
3 dependent children shall constitute a single eligible employee
4 if such person and spouse are employed by the same small
5 employer.

6 ~~3. Offer to eligible small employers the standard and~~
7 ~~basic health benefit plans.~~

8
9 This ~~paragraph~~ subparagraph does not limit a carrier's ability
10 to offer other health benefit plans to small employers if the
11 standard and basic health benefit plans are offered and
12 rejected.

13 (6) RESTRICTIONS RELATING TO PREMIUM RATES.--

14 (b) For all small employer health benefit plans that
15 are subject to this section and are issued by small employer
16 carriers on or after January 1, 1994, premium rates for health
17 benefit plans subject to this section are subject to the
18 following:

19 1. Small employer carriers must use a modified
20 community rating methodology in which the premium for each
21 small employer must be determined solely on the basis of the
22 eligible employee's and eligible dependent's gender, age,
23 family composition, tobacco use, or geographic area as
24 determined under paragraph (5)(j) and in which the premium may
25 be adjusted as permitted by subparagraphs 6. and 7 paragraph
26 ~~(5)(k).~~

27 2. Rating factors related to age, gender, family
28 composition, tobacco use, or geographic location may be
29 developed by each carrier to reflect the carrier's experience.
30 The factors used by carriers are subject to department review
31 and approval.

1 3. Small employer carriers may not modify the rate for
2 a small employer for 12 months from the initial issue date or
3 renewal date, unless the composition of the group changes or
4 benefits are changed.

5 4. Carriers participating in the alliance program, in
6 accordance with ss. 408.700-408.707, may apply a different
7 community rate to business written in that program.

8 5. Any adjustments in rates for claims experience,
9 health status, and duration of coverage may not be charged to
10 individual employees or dependents. For a small employer's
11 policy, such adjustments may not result in a rate for the
12 small employer which deviates more than 15 percent from the
13 carrier's approved rate. Any such adjustment must be applied
14 uniformly to the rates charged for all employees and
15 dependents of the small employer. A small employer carrier may
16 make an adjustment to a small employer's renewal premium, not
17 to exceed 10 percent annually, due to the claims experience,
18 health status, or duration of coverage of the employees or
19 dependents of the small employer. A small employer carrier may
20 not make an adjustment to a small employer's renewal premium
21 which exceeds 5 percent due to health status. Semiannually
22 small group carriers shall report information on forms adopted
23 by rule by the department, to enable the department to monitor
24 the relationship of aggregate adjusted premiums actually
25 charged policyholders by each carrier to the premiums that
26 would have been charged by application of the carrier's
27 approved modified community rates. If the aggregate premium
28 resulting from the application of such adjustment exceeds the
29 premium that would have been charged by application of the
30 approved modified community rate by 5 percent for the current
31 reporting period, the carrier shall limit the application of

1 such adjustments to only minus adjustments beginning not more
2 than 60 days after the report is sent to the department. For
3 any subsequent reporting period, if the total aggregate
4 adjusted premium actually charged does not exceed the premium
5 that would have been charged by application of the approved
6 modified community rate by 5 percent, the carrier may apply
7 both plus and minus adjustments.

8 6. A small employer carrier may provide a credit to a
9 small employer's premium based on administrative and
10 acquisition expense differences resulting from the size of the
11 group. Group size administrative and acquisition expense
12 factors may be developed by each carrier to reflect the
13 carrier's experience and are subject to department review and
14 approval.

15 7. A small employer carrier rating methodology may
16 include separate rating categories for one dependent child,
17 for two dependent children, and for three or more dependent
18 children for family coverage of employees having a spouse and
19 dependent children or employees having dependent children
20 only. A small employer carrier may have fewer, but not
21 greater, numbers of categories for dependent children than
22 those specified in this subparagraph.

23 8. Small employer carriers may not use a composite
24 rating methodology to rate a small employer with fewer than 10
25 employees. For the purposes of this subparagraph a "composite
26 rating methodology" means a rating methodology that averages
27 the impact of the rating factors for age and gender in the
28 premiums charged to all of the employees of a small employer.

29 (c) For all small employer health benefit plans that
30 are subject to this section, that are issued by small employer
31 carriers before January 1, 1994, and that are renewed on or

1 after January 1, 1995, renewal rates must be based on the same
2 modified community rating standard applied to new business.

3 (d) Notwithstanding s. 627.401(2), this section and
4 ss. 627.410 and 627.411 apply to any health benefit plan
5 provided by a small employer carrier that is an insurer, and
6 this section and s. 641.31 apply to any health benefit
7 provided by a small employer carrier that is a health
8 maintenance organization that provides coverage to one or more
9 employees of a small employer regardless of where the policy,
10 certificate, or contract is issued or delivered, if the health
11 benefit plan covers employees or their covered dependents who
12 are residents of this state.

13 Section 2. This act shall take effect July 1, 1999.

1 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
2 COMMITTEE SUBSTITUTE FOR
3 CS for SB 1294

4 Deletes the provisions of the bill that change the definition
5 of small employer, and retain the current definition.

6 Provides for an annual open enrollment period, in August of
7 each year, for employers with one employee, sole proprietors,
8 and self-employed individuals. Coverage would begin on October
9 1, unless the insurer and the policyholder agree to a
10 different date. Any such one-person small employer getting
11 coverage must not be formed primarily for the purposes of
12 buying health insurance and if an individual hires his or her
13 spouse and dependent children as employees, the entire family
14 unit would be considered a one-person group.

15 Allows small group carriers to base rates on health factors,
16 but lowers the maximum percentage that a rate may deviate from
17 the carrier's base rate from 25 percent to 15 percent, based
18 on factors related to health status, claims experience, and
19 duration of coverage.

20 Lowers the maximum annual percentage adjustment in a small
21 employer's rate from 15 percent to 10 percent, based on
22 factors related to health status, claims experience, and
23 duration of coverage, not to exceed 5 percent annually due to
24 health status alone.

25 Requires small employer carriers to report information to the
26 department semiannually on the use of rating adjustments to
27 the approved rate. If the aggregate actual premium exceeds the
28 premium that would have been charged under the approved rate
29 by more than 5 percent, the carrier must use only minus
30 adjustments (credits), for a certain time period.

31 Specifies that a carrier may have 3 rate categories for
dependent children (1 child, 2 children, and 3 or more
children), and that the carrier may have fewer, but not a
greater number of rating categories for dependent children.

Defines the term "composite rating" as used in the bill's
prohibition against an insurer using composite rating for
small employers with fewer than 10 employees, defined as a
rating method that averages the impact of the rating factors
for age and gender.

Allows small group carriers to provide a credit (rather than
an adjustment) to reflect the administrative and acquisition
expense savings resulting from the size of the group.