

Small Group Reform
HMO's and Commercial Carriers
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There are three types of small group carriers: Blue Cross, HMOs and commercial insurance companies; this discussion focuses on HMOs and commercial insurance carriers

1. Definitions
 - a. Commercial carriers are small employer carriers other than Blue Cross and HMOs – 3701(f)
 - b. Health maintenance organizations are the organizations defined in Section 35 of the Insurance Code.
2. Types of Insurance – Does not cover individual policies, insurance offered to sole proprietors, or Archer medical savings accounts that satisfy IRS requirements noted in the statute.
3. Rating Issues
 - a. Up to 10 geographic areas in the state for purposes of adjusting premiums for all small employer carriers
 - b. Rating factors: for HMOs, only industry, age, and group size within a geographic area; for commercial carriers, only industry, age, group size and health status within a geographic area
 - c. Index rates for renewals: for specified time periods, rates cannot vary from the index rate for the benefit plan by more than a specified percentage; e.g., for HMO's the rate for a renewal occurring after December 31, 2004 may not be more than 15% above the index rate or less than 35% below the index rate for the plan being renewed.
 - d. Beginning 1 year after the law took effect (2/04) if a small employer had been covered by self-insurance during the period preceding an application for coverage with the small employer carrier, the carrier may charge an additional premium of up to 33% more than the premiums above.
 - e. Rating factors must be applied consistently with respect to all small employers in a geographic area.
 - f. Must bill small employers using a composite rate; may not bill so that one or more employees in a group are charged a higher premium than another employee in the same group.
4. Operational Issues for HMOs
 - a. Rate renewal certifications - Determining whether the group is eligible for coverage – company must do business in the HMO's service area; require employment rosters or other verification of employment status (there must be an employer/employee relationship that results in the employer withholding payroll taxes on wages); waiver forms (not seeking

coverage); employer contributes to Michigan unemployment fund and provide worker's compensation coverage as required by law; single employer group using one tax ID number; signed group operating agreement

- b. Assuming the group qualifies pursuant to 4a, determine whether minimum participation requirements have been met
 - i. If not, will the participation requirements be waived?
5. Exemptions – commercial carriers with capital and surplus of \$18 million or less at 12/31/03 are eligible for an exemption from the statute