

[215 Ill. Comp. Stat. §§ 93/1 through 93/35.]

§§ 93/1 through 93/35: Small Employer Health Insurance Rating Act

§ 1. Short title.

This Act may be cited as the Small Employer Health Insurance Rating Act.

§ 5. Purpose.

The legislature recognizes that all too often, small employers are forced to increase employee co-pays and deductibles or drop health insurance coverage altogether because of unexpected rate increases as a result of one major medical problem. It is the intent of this Act to improve the efficiency and fairness of the small group health insurance marketplace.

§ 10. Definitions. For purposes of this Act:

"Actuarial certification" means a written statement by a member of the American Academy of Actuaries or other individual acceptable to the Director that a small employer carrier is in compliance with the provisions of Section 25 of this Act, based upon an examination which includes a review of the appropriate records and of the actuarial assumptions and methods utilized by the small employer carrier in establishing premium rates for the applicable health benefit plans.

"Base premium rate" means for each class of business as to a rating period, the lowest premium rate charged or which could be charged under a rating system for that class of business by the small employer carrier to small employers with similar case characteristics for health benefit plans with the same or similar coverage.

"Carrier" means any entity which provides health insurance in this State. For the purposes of this Act, carrier includes a licensed insurance company, a prepaid hospital or medical service plan, a health maintenance organization, or any other entity providing a plan of health insurance or health benefits subject to state insurance regulation.

"Case characteristics" means demographic, geographic or other objective characteristics of a small employer, that are considered by the small employer carrier, in the determination of premium rates for the small employer. Claim experience, health status, and duration of coverage shall not be characteristics for the purposes of the Small Employer Health Insurance Rating Act.

"Class of business" means all or a separate grouping of small employers established pursuant to Section 20.

"Director" means the Director of Insurance.

"Department" means the Department of Insurance.

"Health benefit plan" or "plan" shall mean any hospital or medical expense-incurred policy, hospital or medical service plan contract, or health maintenance organization subscriber contract. Health benefit plan shall not include individual, accident-only, credit, dental, vision, medicare supplement, hospital indemnity, long term care, specific disease, stop loss or disability income insurance, coverage issued as a supplement to liability insurance, workers' compensation or similar insurance, or automobile medical payment insurance.

"Index rate" means, for each class of business as to a rating period for small employers with similar case characteristics, the arithmetic mean of the applicable base premium rate and the corresponding highest premium rate.

"Late enrollee" has the meaning given that term in the Illinois Health Insurance Portability and Accountability Act.

"New business premium rate" means, for each class of business as to a rating period, the lowest premium rate charged or offered or which could have been charged or offered by the small employer carrier to small employers with similar case characteristics for newly issued health benefit plans with the same or similar coverage.

"Objective characteristics" means measurable or observable phenomena. An example of a measurable characteristic would be the number of employees who were late enrollees. Examples of observable characteristics would be geographic location of the employer or gender of the employee.

"Premium" means all monies paid by a small employer and eligible employees as a condition of receiving coverage from a small employer carrier, including any fees or other contributions associated with the health benefit plan.

"Rating period" means the calendar period for which premium rates established by a small employer carrier are assumed to be in effect.

"Small employer" has the meaning given that term in the Illinois Health Insurance Portability and Accountability Act.

"Small employer carrier" means a carrier that offers health benefit plans covering employees of one or more small employers in this State.

§ 15. Applicability and scope.

This Act shall apply to each health benefit plan for a small employer that is delivered, issued for delivery, renewed, or continued in this State after July 1, 2000. For purposes of this Section, the date a plan is continued shall be the first rating period which commences after July 1, 2000. The Act shall apply to any such health benefit plan which provides coverage to employees of a small employer, except that the Act shall not apply to individual health insurance policies.

§ 20. Establishment of Class of Business.

(a) A small employer carrier may establish a separate class of business only to reflect substantial differences in expected claims experience or administrative costs related to the following reasons:

- (1) the small employer carrier uses more than one type of system for the marketing and sale of health benefit plans to small employers;
- (2) the small employer carrier has acquired a class of business from another small employer carrier; or
- (3) the small employer carrier provides coverage to one or more association groups.

(b) A small employer carrier may establish up to 4 separate classes of business under subsection (a).

(c) The Director may approve the establishment of additional classes of business upon application to the Director and a finding by the Director that such action would enhance the efficiency and fairness of the small employer marketplace.

§ 25. Premium Rates.

(a) Premium rates for health benefit plans subject to this Act shall be subject to all of the following provisions:

(1) The index rate for a rating period for any class of business shall not exceed the index rate for any other class of business by more than 20%.

(2) For a class of business, the premium rates charged during a rating period to small employers with similar case characteristics for the same or similar coverage, or the rates that could be charged to such employers under the rating system for that class of business, shall not vary from the index rate by more than 25% of the index rate.

(3) The percentage increase in the premium rate charged to a small employer for a new rating period shall not exceed the sum of the following:

(A) the percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a health benefit plan into which the small employer carrier is no longer enrolling new small employers, the small employer carrier shall use the percentage change in the base premium rate;

(B) an adjustment, not to exceed 15% annually and adjusted pro rata for rating periods of less than one year, due to claim experience, health status, or duration of coverage of the employees or dependents of the small employer as determined from the small employer carrier's rate manual for the class of business; and

(C) any adjustment due to change in coverage or change in the case characteristics of the small employer as determined from the small employer carrier's rate manual for the class of business.

(4) Adjustments in rates for a new rating period due to claim experience, health status and duration of coverage shall not be charged to individual employees or dependents. Any such adjustment shall be applied uniformly to the rates charged for all employees and dependents of the small employer.

(5) In the case of health benefit plans delivered or issued for delivery prior to the effective date of this Act, a premium rate for a rating period may exceed the ranges set forth in items (1) and (2) of subsection (a) for a period of 3 years following the effective date of this Act. In such case, the percentage increase in the premium rate charged to a small employer for a new rating period shall not exceed the sum of the following:

(A) the percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period; in the case of a class of business into which the small employer carrier is no longer enrolling new small employees, the small employer carrier shall use the percentage change in the base premium rate, provided that such change does not exceed, on a percentage basis, the change in the new business premium rate for the most similar class of business into which the small employer carrier is actively enrolling new small employers; and

(B) any adjustment due to change in coverage or change in the case characteristics of the small employer as determined from the carrier's rate manual for the class of business.

(6) Small employer carriers shall apply rating factors, including case characteristics, consistently with respect to all small employers in a class of business. A small employer carrier shall treat all health benefit plans issued or renewed in the same calendar month as having the same rating period.

(7) For the purposes of this subsection, a health benefit plan that contains a restricted network provision shall not be considered similar coverage to a health benefit plan that does not contain such a provision, provided that the restriction of benefits to network providers results in substantial differences in claim costs.

(b) A small employer carrier shall not transfer a small employer involuntarily into or out of a class of business. A small employer carrier shall not offer to transfer a small employer into or out of a class of business unless such offer is made to transfer all small employers in the class of business without regard to case characteristics, claim experience, health status or duration of coverage since issue.

§ 30. Rating and underwriting records.

(a) 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 demonstrates that its rating methods and practices are based upon commonly accepted actuarial assumptions and are in accordance with sound actuarial principles.

(b) A small employer carrier shall file with the Director annually on or before May 15, an actuarial certification certifying that the carrier is in compliance with this Act, and that the rating methods of the small employer carrier are actuarially sound. Such certification shall be in a form and manner, and shall contain such information, as specified by the Director. A copy of the certification shall be retained by the small employer carrier at its principal place of business for a period of three years from the date of certification. This shall include any work papers prepared in support of the actuarial certification.

(c) A small employer carrier shall make the information and documentation described in subsection (a) available to the Director upon request. Except in cases of violations of this Act, the information shall be considered proprietary and trade secret information and shall not be subject to disclosure by the Director to persons outside of the Department except as agreed to by the small employer carrier or as ordered by a court of competent jurisdiction.

§ 35. Suspension of Rate Requirements.

The Director may suspend all or any part of Section 25 as to the premium rates applicable to one or more small employers for one or more rating periods upon a filing by the small employer carrier and a finding by the Director that either the suspension is reasonable in light of the financial viability of the carrier or the suspension would enhance the efficiency and fairness of the small employer health insurance marketplace.