

UAHU Legislative Update

House Bill 2003

July 21, 2011

On July 20, 2011 a Special Session of the Utah Legislature was held. Among a number of bills that were considered was an *Insurance Amendment* bill sponsored by Representative Jim Dunnigan. This bill was similar to one passed earlier this year in the regular legislative session with some accompanying clarifications and additions. The bill passed by a two thirds majority or greater in both the Utah House and Senate. Here are some of the highlights of the new law:

Endorsement by the Exchange, CHIP and HIP

Section 31A-23a-402 of the Insurance Code deals with unfair marketing practices, communication and discrimination. The Code was amended in this bill to prohibit a licensee or employee of a licensee to “ use any advertisement or other insurance promotional material that would cause a reasonable person to mistakenly believe that a state or federal government agency, *including the Health Insurance Exchange, the Comprehensive Health Insurance Pool (HIP), and the Children's Health Insurance Program (CHIP)* is responsible for:

- the insurance sales activities of the person;
- stands behind the credit of the person;
- guarantees any returns on insurance products of or sold by the person; or
- is a source of payment of any insurance obligation of or sold by the person.”

It is important to note that just because the Utah Health Exchange certifies those who are qualified to sell within the Exchange through proper licensure, appointments and Continuing Education classes it does not allow a licensee to imply they are endorsed or have oversight of their sales activities by the Exchange.

Small Employer Health Plan Premiums and Rating Restrictions

The primary emphasis of the bill deals with rate slope and rating tiers.

Rate slope is the difference in premium between the lowest and highest rate within a rate tier. Simply illustrated, with a 5:1 rate slope if a single 19 year old had a \$100 premium then the single 65 year old could not have a premium that exceeded \$500. A law that passed several years ago reshaped the Utah market by defining and reducing the rate slopes allowed by the carriers. This had the effect of dramatically increasing rates on many younger employees. H.B. 2003 defines the allowable rate slope as:

The overall ratio permitted in Subsection (7)(b)(ii) may not exceed:

- *5:1 for plans renewed or effective before January 1, 2012; and*
- *6:1 for plans renewed or effective on or after January 1, 2012;*

Note that the language states “may not exceed” which allows flexibility in the market for a carrier to have a rate slope that is different but does not exceed the allowable spread.

Rating Tiers will now be defined as:

Within the Utah Health Exchange – rates for all plans within the Exchange will be on a four tier basis. Note: Carriers will also have the option to offer plans outside the Exchange on a four tier basis. The four tiers will be:

- employee only;
- employee plus spouse;
- employee plus a child or children; and
- a family, consisting of an employee plus spouse, and a child or children

For plans renewed or effective on or after January 1, 2012, five tiers that include:

- employee only;
- employee plus spouse;
- employee plus one child;
- employee plus two or more children; and
- employee plus spouse plus one or more children

Or for plans renewed or effective on or after January 1, 2012, six tiers that include:

- employee only;
- employee plus spouse;
- employee plus one child;
- employee plus two or more children;
- employee plus spouse plus one child; and
- employee plus spouse plus two or more children.

To summarize the rating tier options, all plans offered within the Exchange will be four tiers. Carriers have the option to offer plans they sell outside the Exchange on a four, five or six tier basis for plans effective or renewing after January 1, 2012.

This white paper includes a few of the highlights of H.B. 2003 passed yesterday and is awaiting the Governor's signature. To see an enrolled copy of the bill click on one of the links below or copy and paste it to your web browser:

HTML format: <http://le.utah.gov/~2011S2/bills/hbillenr/hb2003.htm>

PDF Format: <http://le.utah.gov/~2011S2/bills/hbillenr/hb2003.pdf>

The leadership and legislative committee of our association have spent a considerable amount of time on this bill, working with key players to assure that the small employer health insurance market remain competitive and that the legislation allow for maximum flexibility. We feel this legislation accomplishes these objectives.

We would like to thank Representative Dunnigan for the countless hours he has spent with the Governor's Office, in legislative committee meetings, with the Department of Insurance, the Utah Health Exchange, the Insurance Carriers and the Utah Association of Health Underwriters and other concerned parties in drafting a bill that addressed their needs and enhanced market competition.

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