

ENGROSSED HOUSE
BILL NO. 2154

BY: FALLIN and TAYLOR of the
HOUSE

and

HENDRICK and RUBOTTOM of
the SENATE

(INSURANCE - HEALTH INSURANCE REFORM ACT FOR
SMALL BUSINESS COVERAGE - CODIFICATION -
EFFECTIVE DATE)

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 6511 of Title 36, unless there
is created a duplication in numbering, reads as follows:

This act shall be known and may be cited as the "Health
Insurance Reform Act for Small Business Coverage".

SECTION 2. NEW LAW A new section of law to be codified
in the Oklahoma Statutes as Section 6512 of Title 36, unless there
is created a duplication in numbering, reads as follows:

As used in the Health Insurance Reform Act for Small Business
Coverage:

1. "Insurer" means any entity licensed to provide health
insurance in this state, not-for-profit hospital service or medical
plan, health insurance service organization, health maintenance
organization, or preferred provider organization offering health
insurance policies, contracts, or benefits in this state;

2. "Small employer" and "employer" mean a business which,
during the most recent calendar year, employed at least three (3)
and not more than twenty-five (25) employees who are eligible for

coverage under a health benefit plan on at least fifty percent (50%) of that business' working days;

3. "Employee welfare benefit plan" has the same meaning as that term is given by the Employee Retirement Income Security Act of 1974, 29 U.S.C., Section 1001 et seq.;

4. "Health benefit plan" and "plan" mean any employee welfare benefit plan which is insured by an insurer and which provides medical, surgical, or hospital care or benefits to employees of a small employer and their dependents. The terms shall exclude any individual major medical policy which is renewable at the option of the insured except for reasons set forth in subsection A or B of Section 3 of this act or if the insurer does not renew all policies issued on the same policy form in this state. These terms also exclude any policy of group insurance which is not designed, administered, or marketed as a health benefit plan to be provided by an employer for its employees;

5. "Similar plans" means plans which do not materially differ from one another in any of the following respects:

- a. the set of services covered,
 - b. utilization management provisions,
 - c. managed care network provisions, and
 - d. the criteria used by the insurer in underwriting coverage under a plan if variations in such criteria may reasonably be expected to produce substantial variation in the claims costs incurred under the plan;
- and

6. "Case characteristics" means demographic and other relevant characteristics as determined by the insurer that are considered by the insurer in the determination of premium rates for a small employer, but excluding:

- a. claims experience,
- b. health status, and

c. duration of coverage since date of issue.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6513 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. No insurer providing coverage under a small employer health benefit plan shall rescind, cancel, or fail to renew such plan except for any of the following reasons:

1. Nonpayment of required premium;
2. Fraud or misrepresentation on the part of the employer;
3. Noncompliance with provisions of the plan including

provisions regarding minimum numbers of or percentages of insured employees; or

4. Cancellation or nonrenewal of all plans written with respect to all small employers in this state upon ninety (90) days written notice to all such employers.

B. An insurer that exercises its right of cancellation or nonrenewal as provided in paragraph 4 of subsection A of this section shall not accept any new small employer business for a period of five (5) years after it provides notice of such cancellation or nonrenewal.

C. Nothing in this section shall be deemed to prevent an insurer from rescinding, canceling or not renewing the coverage of any individual employee or dependent of such employee for fraud or material misrepresentation to the extent allowed by the law of this state.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6514 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. The premium rate charged in connection with a small employer health benefit plan shall be the same for all small employers with similar case characteristics covered under similar plans. However, an insurer may adjust the premium charged to an employer in

connection with the plan based upon that employer's claims experience, the health of persons covered under the plan, and the duration of coverage since the date of issue, provided that the total premium shall not exceed two times the lowest premium charged to an employer with similar case characteristics.

B. Subject to the limitations set forth in subsection A of this section, the percentage increase in the premium rate charged to a small employer shall not exceed the sum of:

1. The percentage change in the new business premium rate for employers with similar case characteristics, as measured between the first day of the calendar year in which the new rates take effect and the first day of the prior calendar year; plus

2. An adjustment not to exceed fifteen percent (15%) annually based on claims experience, health status, or duration of coverage; plus

3. Any adjustment due to changes in the coverage provided or changes in the case characteristics of the employer.

SECTION 5. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6515 of Title 36, unless there is created a duplication in numbering, reads as follows:

An insurer shall not refuse to offer coverage under a health benefit plan to employees of a small employer based solely on the nature of the business of the employer. An insurer may charge additional premium based on the nature of the business of the employer, but the total premium shall not exceed one hundred fifty percent (150%) of the lowest premium which would be charged to that employer pursuant to Section 4 of this act, without regard for the nature of the business of the employer.

SECTION 6. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6516 of Title 36, unless there is created a duplication in numbering, reads as follows:

A. Any person who has been continuously covered for at least ninety (90) days under a small employer health benefit plan and who thereafter loses such coverage by reason of:

1. Termination of employment;
2. Reduction of hours of employment;
3. Divorce;
4. Attainment of any age specified in the plan;
5. Expiration of any continuation of coverage available as

required by state or federal law;

6. Cancellation of the plan by the employer or nonrenewal thereof due to failure to pay required premium, unless within thirty-one (31) days thereafter the employer provides coverage to any employee under any employee welfare benefit plan which provides medical, surgical, or hospital care or benefits; or

7. Cancellation or nonrenewal of the plan as set forth in paragraph 4 of subsection A of Section 3 of this act, shall upon written request to the insurer, be entitled to receive an individual conversion policy. Such request shall be made within thirty-one (31) days of loss of coverage. The premium for any given period shall not exceed one hundred thirty-five percent (135%) of the rate that would have been charged with respect to that person had the person been covered as an employee under the plan during the same period. When the plan under which such person was covered has been canceled or not renewed, the rates for the conversion policy shall be based on the rate which would have been charged to such person had the plan continued in force, as determined by the insurer in accordance with standard actuarial principles.

B. Benefits provided under a conversion policy shall not be less than the benefits provided under the plan. The insurer may apply any benefits paid under the plan against the benefit limits of the conversion policy provided that if the insurer does so, the

insurer shall also credit the insured with any waiting period, deductible and coinsurance to the extent credited under the plan.

SECTION 7. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 6517 of Title 36, unless there is created a duplication in numbering, reads as follows:

This section applies only to persons who first become employees of an employer following the date an insurer first insures any employee of such employer under a given plan. No insurer of a small employer health benefit plan shall refuse to accept for coverage under the plan any person who, on the date of application for such coverage, would be eligible therefor, except for underwriting considerations relating to such person's health status, if such person has, as of that date, been continuously covered under any employee welfare benefit plan or other health insurance policy for a period of one (1) year. Nothing in this section shall require an insurer to provide benefits greater than those provided to a person insured as a standard risk under the small employer health benefit plan or greater than those that would have been provided under prior coverage had that coverage remained in force. For purposes of this section, a person shall be deemed to be continuously covered for a period of one (1) year if such person is insured at the beginning and end of such period and has not had any interruptions in coverage during such period totaling more than thirty-one (31) days.

SECTION 8. This act shall become effective September 1, 1992.

Passed the House of Representatives the 10th day of March, 1992.

Speaker of the House of Representatives

Passed the Senate the ____ day of _____, 1992.

President of the Senate