

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	6 - 0 - 1
Yeas:	Bonamici, Galizio, Gilliam, Girod, Riley, Holvey
Nays:	0
Exc.:	Nelson
Prepared By:	Steve Dixon, Administrator
Meeting Dates:	3/26, 4/20, 4/30

WHAT THE MEASURE DOES: Expands small group market to 2-50 employees. Expands rate band to 3:1 (current rate band is 2.5:1 but will revert to 2:1 if no legislative action)

Allow more flexible rating within the rate band. Factors that may be used include: Age of employees and dependents; Employee contribution rate; Employee participation rate; Tobacco use; Participation in wellness programs; and group longevity with carrier

Permits insurers to cushion rating factor for expected claims status. Limits cushion to 5% after standard rate is calculated (credit or surcharge). 5% cushion required to be within the rate band for 2-25 groups but could go above or below rate band for 26-50 groups who are at top or bottom after standard calculation.

Permits different classes of employees (preserve current law that requires all classes to be covered in 2-25 groups and allows some classes to not be covered in 26-50 groups). And streamline rules for counting employees and simplifies existing rules by having one 2-50 small employer market. Phases-in changes over three years, starting 1/1/08, to minimize market disruption.

ISSUES DISCUSSED:

- Effects of expanding small group definition from 25 to 50 on consumer prices and the health insurance industry.
- How the market is currently regulated and rating factors used by insurers.
- Need to expand small group market.

EFFECT OF COMMITTEE AMENDMENT: Remove language allowing insurance division to consider investment income and profitability when assess rate proposal. Permits more flexibility for insurers in rating.

BACKGROUND: Current law defines small group markets as 2-25 employees and requires rate bands used as boundary to rates charged is 2.5 to 1. Also, the only rating factor allowed for consideration in the rate band is age of employees.