

## Bulletin 210

### Small group health insurance

June 16, 1993

Several questions have arisen concerning interpretation of Title 24-A M.R.S.A., Section 2808-B, which takes effect July 15, 1993. This bulletin will supplement BULLETIN 209. The following are intended to clarify the requirements of this new law.

1. Any small group health plan offered to any eligible employer must be offered to all eligible employers having from one to 24 eligible employees, as defined in the law. No restrictions based on group size are permitted.
2. For a newly written group, employees or dependents with no prior coverage, as defined by Title 24-A M.R.S.A., Chapter 36 (Continuity of Health Insurance Coverage), a pre-existing condition exclusion may be imposed. The exclusion may be for no more than 18 months. (Pending legislation may reduce this to 12 months effective December 1, 1993.)
3. For a newly hired employee, under an existing group policy, who has no prior coverage, as defined by Title 24-A M.R.S.A., Chapter 36 (Continuity of Health Insurance Coverage), a pre-existing condition exclusion may be imposed. The exclusion may be for no more than 18 months. (Pending legislation may reduce this to 12 months effective December 1, 1993.)
4. For a late enrollee, as defined by the law, who has no prior coverage, as defined by Title 24-A M.R.S.A., Chapter 36 (Continuity of Health Insurance Coverage), either a pre-existing condition exclusion or a waiting period (during which no coverage is provided and no premiums are collected) may be imposed. The exclusion or waiting period may be for no more than 18 months. (Pending legislation may reduce this to 12 months effective December 1, 1993.)
5. Carriers may require applicants to provide information concerning health status or claims experience. This information may be used in determining community rates to be used for all small groups, or in administering pre-existing condition exclusions. However, the carrier must disclose to the applicant in writing the purposes for which the information is required and that such information will not affect the right of any group or any member of the group to purchase coverage at standard rates.
6. If a small group health plan is sold both through licensed agents and without agent involvement, the rates may vary to reflect differing marketing costs.
7. The two standardized plans required by subsection 8 of the law will be defined by Rule 750. It is anticipated that this rule, which is currently being finalized, will allow 60 days for filing of forms and will require the plans to be offered effective October 1, 1993. All other provisions of the law take effect July 15, 1993.
8. For association groups or trustee groups, an exemption may be requested from the rating provisions of the law. This permits rates to be based on the experience of the association or trust. However, the following should be noted:
  - a. The exemption is only from subsection 2 of the referenced law. Other provisions of the law, including guaranteed issuance, still apply. This means that any small employer is eligible for coverage under any small group health plan offered by the carrier.
  - b. Coverage must be offered to all members of the association or trust on a guaranteed issue and guaranteed renewable basis.
  - c. Rates for subgroups within the association or trust may not be varied based on health status, claims experience, or duration.

d. For subgroups within the association or trust, variations from the association's or trust's community rate based on age, gender, industry, or geographic area are subject to the restrictions stated in subsection 2, paragraph D, of the law. However, there is no limitation on variations between the association's or trust's community rate and the community rate for non-association, non-trust business.

e. Community rates for the association or trust, as well as community rates for non-association, non-trust business, and any formulas or factors used to adjust those rates, must be filed for informational purposes on or before July 15, 1993.

f. Association groups and trustee groups are not required to offer the two standardized plans pursuant to subsection 8 of the law. However, these plans will have to be offered to non-association, non-trustee groups.

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NOTE: This bulletin is intended solely for informational purposes. It is not intended to set forth legal rights, duties or privileges nor is it intended to provide legal advice. Readers are encouraged to consult applicable statutes and regulations and to contact the Bureau of Insurance if additional information is needed.