

HB 606-FN – AS INTRODUCED

2013 SESSION

13-0104  
01/04

HOUSE BILL            **606-FN**  
AN ACT                relative to community rating.  
SPONSORS:            Rep. D. McGuire, Merr 21  
COMMITTEE:          Commerce and Consumer Affairs

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ANALYSIS

This bill makes certain changes in the law relative to small group health insurance to allow health insurance carriers to change rates based on age and health status.

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Explanation:        Matter added to current law appears in ***bold italics***.  
                          Matter removed from current law appears [~~in brackets and struck through~~].  
                          Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Thirteen*

AN ACT relative to community rating.

*Be it Enacted by the Senate and House of Representatives in General Court convened:*

1 1 Portability, Availability, and Renewability of Health Coverage. Amend RSA 420-G:4, I(a) to  
2 read as follows:

3 (a) All premium rates charged shall be guaranteed for a rating period of at least 12  
4 months, and shall not be changed for any reason~~[, including but not limited to a change in the~~  
5 ~~group's case characteristics]~~ **during that period.**

6 2 Premium Rates. RSA 420-G:4, I(e) is repealed and reenacted to read as follows:

7 (e) In establishing the premium charged, health carriers offering coverage to small  
8 employers shall calculate premium rates that are derived from the health coverage plan rate through  
9 the application of rating factors that the carrier chooses to utilize for age, group size, industry  
10 classification, geographic location, and health status. Such adjustments from the health coverage  
11 plan rate may be made only in accordance with the following limitations:

12 (1) Carriers may use the attained age of covered persons as a rating factor.  
13 However, the maximum premium differential for age as determined by ratio shall be 4 to 1 beginning  
14 with age 19.

15 (2) Carriers making adjustments from the health coverage plan rate for age may do  
16 so only by using the following age brackets:

- |    |         |
|----|---------|
| 17 | 0 - 18  |
| 18 | 19 - 24 |
| 19 | 25 - 29 |
| 20 | 30 - 34 |
| 21 | 35 - 39 |
| 22 | 40 - 44 |
| 23 | 45 - 49 |
| 24 | 50 - 54 |
| 25 | 55 - 59 |
| 26 | 60 - 64 |
| 27 | 65 +    |

28 (3) Carriers may use group size as a rating factor. However, the highest factor based  
29 on group size shall not exceed the lowest factor based on group size by more than 20 percent;  
30 provided that for groups of one, an additional 10 percent rating factor shall be allowed from the  
31 highest factor.

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1           (4) Carriers may use the small employer group’s industry classification as a rating  
2 factor. However, the highest factor based on industry classification shall not exceed the lowest factor  
3 based on industry classification by more than 20 percent.

4           (5) Carriers may use the small employer group’s geographic location as a rating  
5 factor. However, the highest factor based on geographic location shall not exceed the lowest factor  
6 based on geographic location by more than 15 percent.

7           (6) Carriers may use the health status of the small employer group as a rating  
8 factor. However, the application of a health status factor shall be subject to the following  
9 limitations:

10           (A) The health status factor may reflect health status of covered persons, the  
11 small employer’s claim experience, or the duration of coverage since health statements were last  
12 provided.

13           (B) Variations from the arithmetic average of the highest rate charged to the  
14 lowest rate charged shall not exceed 25 percent.

15           (C) Upon the renewal of a small employer policy, any increase in the premium  
16 rate that is solely attributable to changes in the health status factor from the prior year shall be no  
17 more than 15 percent.

18           (7) Upon the renewal of a small employer policy, a carrier is prohibited from  
19 increasing the premium rate by more than 25 percent of the rate that was charged in the preceding  
20 year. Such rate increase limitation shall not include any premium rate increase that is based on a  
21 carrier’s annual cost and utilization trends or changes in the rating factor for attained age of covered  
22 persons.

23           (8) The maximum premium rate differential after adjusting for all case  
24 characteristics as determined by ratio shall be 6 to 1. This limitation shall not apply for determining  
25 premium rates for covered persons whose attained age is less than 19.

26           (9) In establishing the premium rates, health carriers offering coverage to small  
27 employers may make further adjustments based on family composition.

28           (10) Carriers may calculate premium rates using either list billing or composite  
29 billing. Carriers shall use the same billing method in all succeeding rating periods unless the small  
30 employer agrees to allow the carrier to change the methodology.

31           3 Premium Rates. Amend RSA 420-G:4, I(f) to read as follows:

32           (f) Each rating factor that a carrier chooses to utilize [~~in the individual market~~] shall be  
33 reflective of claim cost variations that correlate with that factor independently of claim cost  
34 variations that correlate with any of the other allowable factors.

35           4 Medical Underwriting. Amend RSA 420-G:5, I to read as follows:

36           I. Health carriers providing health coverage for individuals may perform medical  
37 underwriting, including the use of health statements or screenings or the use of prior claims history,

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1 to the extent necessary to establish or modify premium rates as provided in RSA 420-G:4. *Such*  
2 *underwriting shall be limited to the use of a standardized health statement for use in*  
3 *adjustments to rating pursuant to RSA 420-G:4. The commissioner shall, by rules adopted*  
4 *under RSA 541-A, require carriers to use standardized health statements.*

5       5 Effective Date. This act shall take effect 60 days after its passage.

**HB 606-FN – FISCAL NOTE**

AN ACT                    relative to community rating.

**FISCAL IMPACT:**

The Insurance Department states this bill, **as introduced**, will have an indeterminable fiscal impact on state general fund revenue, and county and local expenditures in FY 2013 and each year thereafter. There is no fiscal impact on county and local revenue, or state expenditures.

**METHODOLOGY:**

The Insurance Department states this bill modifies community rating rules for the small group market to allow health insurance carriers to change rates based on age and health status resulting in an increase in the variation in premium rates charged to small employers. The Department states the bill increases the allowed premium rate variability from 3.5:1 to 6:1. The Department states if the market composition did not change, the aggregate revenue necessary would not change. However, changes in rating structures tend to cause market disruptions that might include small employers not currently participating in the fully insured market buying into the market; where others might leave the market. The Department is not able to predict how changes in the rating rules would impact the tax base to determine the impact on the premium tax the state collects.