

Rate Protection - Small Group Health Plans

Facts on PA's Small Group Health Insurance Market

The important role of small business:

- Small businesses are central to Pennsylvania's economy – accounting for 50 percent of the state's private-sector employment.
- Most small business owners want to offer quality, affordable health insurance to their employees and believe "it's the right thing to do." That's because health insurance improves recruitment, retention, employee health and productivity, and employee attitude.

The chaotic small group insurance market:

- Pennsylvania is one of only two states in the nation that does not provide some form of rate protection for its small employers (those with fewer than 50 employees).
- This means that the rates quoted for group health plans are based on how the insurer assesses the risk within each small group. Insurers are free to raise premium as high as they want.
- "Rate spikes" occur frequently in the small group market as insurers attempt to shed small groups that have generated higher medical claims. Nearly two-thirds of small business owners spend time each year shopping for affordable coverage after receiving unaffordable rate hikes.
- Even worse, rate spikes are forcing more small employers to stop offering health plans to their employees. This leaves employees with the choice of shopping for coverage in the individual market, where medical underwriting is applied even more harshly, or going without coverage entirely.

Rate protection for small business owners:

- House Bill 746, authored by Rep. Tony DeLuca (D-Allegheny County), would introduce rate protection into the small group market. By spreading risk more equitably across a large pool of small businesses, it would make rates much more stable and predictable.
- Rate protections would apply to the 9 companies with at least a 1 percent market share:
 - Rates would be based on the claims history of employees in all groups within a geographic region. This would spread risk broadly across a large group of people, rather than across just one small group of employees. This would moderate the change in rates from year-to-year. Also, the bill would prohibit increases of more than 10 percent annually.
 - Variations in rates among small groups would still be permitted but would be limited by "rate bands" in which the top rate is not more than 2 times higher than the lowest rate. Variations within a band would be based on two factors only: age and wellness incentives.
 - The mix of male and female within a work group would no longer be a factor in pricing coverage. This would end the existing discrimination against women. Also, use of medical histories to identify preferred and non-preferred risks would be prohibited.
- By giving the Insurance Department authority to review rates, HB 746 would protect consumers by making sure insurance companies are following best practices in promoting cost-controls in the practice of medicine and are not wasteful in their administration of insurance benefits.
- House Bill 746 will be debated in the House the first week of June. If approved, it will be sent to the Senate, which in recent years has opposed reforms that regulate insurance company practices.

The Pennsylvania Health Access Network (PHAN) is a coalition of groups working to improve access to quality health care through the expansion of health insurance coverage. PHAN organizes health care consumers, works to raise public awareness of the need for health system reform, and supports public policy proposals that adhere to the following principles:

- Access to quality health care for all Pennsylvanians;
- Access to affordable, quality health insurance for all Pennsylvanians;
- Effective controls to keep health care and health insurance premiums reasonably priced;
- Shared responsibility for health system costs among individuals, employers and the public.