

HOUSE BILL No. 5631

January 17, 2008, Introduced by Rep. Calley and referred to the Committee on Insurance.

A bill to amend 1956 PA 218, entitled
"The insurance code of 1956,"
by amending section 3705 (MCL 500.3705), as added by 2003 PA 88.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 3705. (1) For adjusting premiums for health benefit plans
2 subject to this chapter, a carrier may establish up to 10
3 geographic areas in this state. A nonprofit health care corporation
4 shall establish geographic areas that cover all counties in this
5 state.

6 (2) Premiums for a health benefit plan under this chapter are
7 subject to the following:

8 (a) For a nonprofit health care corporation, only industry and
9 age may be used for determining the premiums within a geographic
10 area for a small employer or sole proprietor located in that
11 geographic area. For a health maintenance organization, only

1 industry, age, and group size may be used for determining the
2 premiums within a geographic area for a small employer or sole
3 proprietor located in that geographic area. For a commercial
4 carrier, only industry, age, group size, ~~and health status, ALCOHOL~~
5 **ABUSE, NICOTINE USE, AND CONTROLLED SUBSTANCES ABUSE** may be used
6 for determining the premiums within a geographic area for a small
7 employer or sole proprietor located in that geographic area.

8 (b) The premiums charged during a rating period by a nonprofit
9 health care corporation or a health maintenance organization for a
10 health benefit plan in a geographic area to small employers or sole
11 proprietors located in that geographic area shall not vary from the
12 index rate for that health benefit plan by more than 35% of the
13 index rate. However, for a health benefit plan issued before ~~the~~
14 ~~effective date of this chapter~~ **JANUARY 23, 2004** by a nonprofit
15 health care corporation or health maintenance organization, the
16 premiums for the plan are subject to the following:

17 (i) For a renewal occurring on or after ~~the effective date of~~
18 ~~this chapter~~ **JANUARY 23, 2004** and through December 31, 2004, the
19 premiums charged for a health benefit plan in a geographic area to
20 small employers or sole proprietors located in that geographic area
21 shall not be higher than 15% above the index rate or lower than 35%
22 below the index rate.

23 (ii) For a renewal occurring on or after January 1, 2005, the
24 premiums charged for a health benefit plan in a geographic area to
25 small employers or sole proprietors located in that geographic area
26 shall not vary from the index rate for that health benefit plan by
27 more than 35% of the index rate.

1 (c) The premiums charged during a rating period by a
2 commercial carrier for a health benefit plan in a geographic area
3 to small employers or sole proprietors located in that geographic
4 area shall not vary from the index rate for that health benefit
5 plan by more than 45% of the index rate. However, for a health
6 benefit plan issued before ~~the effective date of this chapter~~
7 **JANUARY 23, 2004** by a commercial carrier, the premiums for the plan
8 are subject to the following:

9 (i) For a renewal occurring on or after ~~the effective date of~~
10 ~~this chapter~~ **JANUARY 23, 2004** and through December 31, 2004, the
11 premiums charged for a health benefit plan in a geographic area to
12 small employers or sole proprietors located in that geographic area
13 shall not vary from the index rate for that health benefit plan by
14 more than 70% of the index rate.

15 (ii) For a renewal occurring on or after January 1, 2005 and
16 through December 31, 2005, the premiums charged for a health
17 benefit plan in a geographic area to small employers or sole
18 proprietors located in that geographic area shall not vary from the
19 index rate for that health benefit plan by more than 55% of the
20 index rate.

21 (iii) For a renewal occurring on or after January 1, 2006, the
22 premiums charged for a health benefit plan in a geographic area to
23 small employers or sole proprietors located in that geographic area
24 shall not vary from the index rate for that health benefit plan by
25 more than 45% of the index rate.

26 (d) For a sole proprietor, a small employer carrier may charge
27 an additional premium of up to 25% above the premiums in

1 subdivision (b) or (c).

2 (e) Except as otherwise provided in this section, the
3 percentage increase in the premiums charged to a small employer or
4 sole proprietor in a geographic area for a new rating period shall
5 not exceed the sum of the annual percentage adjustment in the
6 geographic area's index rate for the health benefit plan and an
7 adjustment pursuant to subdivision (a). The adjustment pursuant to
8 subdivision (a) shall not exceed 15% annually and shall be adjusted
9 pro rata for rating periods of less than 1 year. This subdivision
10 does not prohibit an adjustment due to change in coverage.

11 (3) Beginning ~~1 year after the effective date of this chapter~~
12 **JANUARY 23, 2005**, if a small employer had been covered by a self-
13 insured health benefit plan immediately preceding application for a
14 health benefit plan subject to this chapter, a carrier may charge
15 an additional premium of up to 33% above the premium in subsection
16 (2)(b) or (c) for no more than 2 years.

17 (4) Health benefit plan options, number of family members
18 covered, and medicare eligibility may be used in establishing a
19 small employer's or sole proprietor's premium.

20 (5) A small employer carrier shall apply all rating factors
21 consistently with respect to all small employers and sole
22 proprietors in a geographic area. Except as provided in subsection
23 (4), a small employer carrier shall bill a small employer group
24 only with a composite rate and shall not bill so that 1 or more
25 employees in a small employer group are charged a higher premium
26 than another employee in that small employer group.