

SENATE, No. 1512

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 19, 1996

By Senator BASSANO

1 AN ACT permitting discounts for certain methods of payment of
2 premiums for small employer health benefits plans and amending
3 and supplementing P.L.1992, c.162.

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5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*

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8 1. Section 1 of P.L.1992, c.162 (C.17B:27A-17) is amended to
9 read as follows:

10 1. As used in this act:

11 "Actuarial certification" means a written statement by a member of
12 the American Academy of Actuaries or other individual acceptable to
13 the commissioner that a small employer carrier is in compliance with
14 the provisions of section 9 of P.L.1992, c.162 (C.17B:27A-25), based
15 upon examination, including a review of the appropriate records and
16 actuarial assumptions and methods used by the small employer carrier
17 in establishing premium rates for applicable health benefits plans.

18 "Anticipated loss ratio" means the ratio of the present value of the
19 expected benefits, not including dividends, to the present value of the
20 expected premiums, not reduced by dividends, over the entire period
21 for which rates are computed to provide coverage. For purposes of
22 this ratio, the present values must incorporate realistic rates of interest
23 which are determined before federal taxes but after investment
24 expenses.

25 "Automatic electronic transfer of funds" means an automatic
26 electronic transfer of funds between a State or federally chartered
27 bank, savings bank, savings and loan association or credit union and
28 a carrier according to a payment schedule agreed to by the small
29 employer and the carrier and pursuant to an agreement between a
30 State or federally chartered bank, savings bank, savings and loan
31 association or credit union and the small employer.

32 "Board" means the board of directors of the program.

33 "Carrier" means any insurance company, health service corporation,
34 hospital service corporation, medical service corporation or health

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 maintenance organization authorized to issue health benefits plans in
2 this State. For purposes of this act, carriers that are affiliated
3 companies shall be treated as one carrier, except that any insurance
4 company, health service corporation, hospital service corporation, or
5 medical service corporation that is an affiliate of a health maintenance
6 organization located in New Jersey or any health maintenance
7 organization located in New Jersey that is affiliated with an insurance
8 company, health service corporation, hospital service corporation, or
9 medical service corporation shall treat the health maintenance
10 organization as a separate carrier.

11 "Commissioner" means the Commissioner of Banking and
12 Insurance.

13 "Community rating" means a rating methodology in which the
14 premium for all persons covered by a policy or contract form is the
15 same based upon the experience of the entire pool of risks covered by
16 that policy or contract form without regard to age, gender, health
17 status, residence or occupation.

18 "Department" means the Department of Banking and Insurance.

19 "Dependent" means the spouse or child of an eligible employee,
20 subject to applicable terms of the health benefits plan covering the
21 employee.

22 "Eligible employee" means a full-time employee who works a
23 normal work week of 25 or more hours. The term includes a sole
24 proprietor, a partner of a partnership, or an independent contractor, if
25 the sole proprietor, partner, or independent contractor is included as
26 an employee under a health benefits plan of a small employer, but does
27 not include employees who work less than 25 hours a week, work on
28 a temporary or substitute basis or are participating in an employee
29 welfare arrangement established pursuant to a collective bargaining
30 agreement.

31 "Financially impaired" means a carrier which, after the effective
32 date of this act, is not insolvent, but is deemed by the commissioner to
33 be potentially unable to fulfill its contractual obligations or a carrier
34 which is placed under an order of rehabilitation or conservation by a
35 court of competent jurisdiction.

36 "Health benefits plan" means any hospital and medical expense
37 insurance policy or certificate; health, hospital, or medical service
38 corporation contract or certificate; or health maintenance organization
39 subscriber contract or certificate delivered or issued for delivery in this
40 State by any carrier to a small employer group pursuant to section 3
41 of P.L.1992, c.162 (C.17B:27A-19). For purposes of this act, "health
42 benefits plan" excludes the following plans, policies, or contracts:
43 accident only, credit, disability, long-term care, coverage for Medicare
44 services pursuant to a contract with the United States government,
45 Medicare supplement, dental only, prescription only or vision only,
46 insurance issued as a supplement to liability insurance, coverage

1 arising out of a workers' compensation or similar law, hospital
2 confinement or other supplemental limited benefit insurance coverage,
3 automobile medical payment insurance, personal injury protection
4 coverage issued pursuant to P.L.1972, c.70 (C.39:6A-1 et seq.)and
5 stop loss or excess risk insurance.

6 "Late enrollee" means an eligible employee or dependent who
7 requests enrollment in a health benefits plan of a small employer
8 following the initial minimum 30-day enrollment period provided under
9 the terms of the health benefits plan. An eligible employee or
10 dependent shall not be considered a late enrollee if the individual: a.
11 was covered under another employer's health benefits plan at the time
12 he was eligible to enroll and stated at the time of the initial enrollment
13 that coverage under that other employer's health benefits plan was the
14 reason for declining enrollment; b. has lost coverage under that other
15 employer's health benefits plan as a result of termination of
16 employment, the termination of the other plan's coverage, death of a
17 spouse, or divorce; and c. requests enrollment within 90 days after
18 termination of coverage provided under another employer's health
19 benefits plan. An eligible employee or dependent also shall not be
20 considered a late enrollee if the individual is employed by an employer
21 which offers multiple health benefits plans and the individual elects a
22 different plan during an open enrollment period; or if a court of
23 competent jurisdiction has ordered coverage to be provided for a
24 spouse or minor child under a covered employee's health benefits plan
25 and request for enrollment is made within 30 days after issuance of
26 that court order.

27 "Member" means all carriers issuing health benefits plans in this
28 State on or after the effective date of this act.

29 "Multiple employer arrangement" means an arrangement established
30 or maintained to provide health benefits to employees and their
31 dependents of two or more employers, under an insured plan
32 purchased from a carrier in which the carrier assumes all or a
33 substantial portion of the risk, as determined by the commissioner, and
34 shall include, but is not limited to, a multiple employer welfare
35 arrangement, or MEWA, multiple employer trust or other form of
36 benefit trust.

37 "Plan of operation" means the plan of operation of the program
38 including articles, bylaws and operating rules approved pursuant to
39 section 14 of P.L.1992, c.162 (C.17B:27A-30).

40 "Preexisting condition provision" means a policy or contract
41 provision that excludes coverage under that policy or contract for
42 charges or expenses incurred during a specified period following the
43 insured's effective date of coverage, for a condition that, during a
44 specified period immediately preceding the effective date of coverage,
45 had manifested itself in such a manner as would cause an ordinarily
46 prudent person to seek medical advice, diagnosis, care or treatment,

1 or for which medical advice, diagnosis, care or treatment was
2 recommended or received as to that condition or as to pregnancy
3 existing on the effective date of coverage.

4 "Program" means the New Jersey Small Employer Health Benefits
5 Program established pursuant to section 12 of P.L.1992, c.162
6 (C.17B:27A-28).

7 "Qualifying previous coverage" means benefits or coverage
8 provided under:

9 a. Medicare or Medicaid or any other federally funded health
10 benefits program;

11 b. a group health insurance policy or contract, including coverage
12 by an insurance company, a health, hospital or medical service
13 corporation, or a health maintenance organization, or an
14 employer-based, self-funded or other health benefit arrangement; or

15 c. an individual health insurance policy or contract, including
16 coverage by an insurance company, a health, hospital or medical
17 service corporation, or a health maintenance organization.

18 Qualifying previous coverage shall not include the following
19 policies, contracts or arrangements, whether issued on an individual or
20 group basis: specified disease only, accident only, credit, disability,
21 long-term care, Medicare supplement, dental only, prescription only
22 or vision only, insurance issued as a supplement to liability insurance,
23 stop loss or excess risk insurance, coverage arising out of a workers'
24 compensation or similar law, hospital confinement or other
25 supplemental limited benefit coverage, automobile medical payment
26 insurance, or personal injury protection coverage issued pursuant to
27 P.L.1972, c.70 (C.39:6A-1 et seq.).

28 "Small employer" means any person, firm, corporation, partnership,
29 or association actively engaged in business which, on at least 50
30 percent of its working days during the preceding calendar year quarter,
31 employed at least two but no more than 49 eligible employees, the
32 majority of whom are employed within the State of New Jersey. In
33 determining the number of eligible employees, companies which are
34 affiliated companies shall be considered one employer. Subsequent to
35 the issuance of a health benefits plan to a small employer pursuant to
36 the provisions of this act, and for the purpose of determining
37 eligibility, the size of a small employer shall be determined annually.
38 Except as otherwise specifically provided, provisions of this act which
39 apply to a small employer shall continue to apply until the anniversary
40 date of the health benefits plan next following the date the employer
41 no longer meets the definition of a small employer. For the purposes
42 of P.L.1992, c.162 (C.17B:27A-17 et seq.), a State, county or
43 municipal body, agency, board or department shall not be considered
44 a small employer.

45 "Small employer carrier" means any carrier that offers health

1 benefits plans covering eligible employees of one or more small
2 employers.

3 "Small employer health benefits plan" means a health benefits plan
4 for small employers approved by the commissioner pursuant to section
5 17 of P.L.1992, c.162 (C.17B:27A-33).

6 "Stop loss" or "excess risk insurance" means an insurance policy
7 designed to reimburse a self-funded arrangement of one or more small
8 employers for catastrophic, excess or unexpected expenses, wherein
9 neither the employees nor other individuals are third party beneficiaries
10 under the insurance policy. In order to be considered stop loss or
11 excess risk insurance for the purposes of P.L.1992, c.162
12 (C.17B:27A-17 et seq.), the policy shall establish a per person
13 attachment point or retention or aggregate attachment point or
14 retention, or both, which meet the following requirements:

15 a. If the policy establishes a per person attachment point or
16 retention, that specific attachment point or retention shall not be less
17 than \$25,000 per covered person per plan year; and

18 b. If the policy establishes an aggregate attachment point or
19 retention, that aggregate attachment point or retention shall not be less
20 than 125% of expected claims per plan year.

21 "Supplemental limited benefit insurance" means insurance that is
22 provided in addition to a health benefits plan on an indemnity
23 non-expense incurred basis.

24 (cf: P.L.1995, c.340, s.1)

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26 2. (New section) A carrier may provide a discount for the payment
27 of a health benefits plan premium by an automatic electronic transfer
28 of funds, provided that any such discount shall be applied uniformly
29 to all small employers who choose that method of payment.

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31 3. This act shall take effect immediately.

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STATEMENT

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36 This bill permits carriers to offer discounts to small employers who
37 agree to pay the premiums for their health benefits plans by means of
38 an automatic electronic transfer of funds, provided that carriers apply
39 such discounts uniformly to all small employers choosing that method
40 of payment.

41 Under current law, no differences in premiums charged to small
42 employers are permitted, other than those based on the age of the
43 employees in the group, their gender, and the location of the business
44 in the State.

45 Payment of premiums by an automatic electronic transfer of funds
46 is more efficient and cost effective than payment by check. Carriers

1 providing such discounts pass cost savings on to consumers to
2 encourage participation. The practice of providing discounts for
3 payment of premiums by an automatic electronic transfer of funds has
4 been a long-standing tradition in the insurance industry, and this bill
5 permits the continuation of that practice with respect to the payment
6 of small employer health benefits plan premiums.

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11 Permits discount for payment of small employer health benefits plan
12 premium by automatic electronic transfer of funds.