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- Small employer health plan market



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Guide To Comparing Health Plan Rates

January 1994

Small Employer Health Plan Market

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Minnesota Department of Health

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Minneapolis, Minnesota 55414

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Dear Small Employer:

The 1992 MinnesotaCare legislation featured substantial insurance reforms in the small employer and individual markets. In adopting the small employer insurance reforms contained in MinnesotaCare, the legislature determined that existing underwriting and rating practices in the individual and small employer markets for health care coverage created substantial hardships and unnecessary administrative costs. In the past, small employers have only been able to obtain group coverage if all their employees and dependents were generally healthy. Rates have also varied wildly due to gender, age and health of employees. Changes in law were made in 1992 and 1993 to improve access to health coverage at an affordable rate.

The MinnesotaCare law provides small employers with some administrative flexibility should they decide to purchase a health benefit plan covered by that law. First, the law does not require a small employer, for example, to offer group coverage to his or her employees at all. The law does require health carriers who are participating in the small employer market to offer less expensive small employer benefit plans. It also requires any health carrier which is participating in the small employer market to provide coverage to any small employer who meets the necessary criteria. This concept is known as guaranteed issue.

Employers can be assured of the guaranteed issue and reissue of a health benefit plan if 75 percent of their eligible employees who do not waive coverage participate in the plan and the employer contributes at least 50 percent of the cost of the coverage for each of the eligible employees. For the carriers' purpose, employees must work at least 20 hours per week to be eligible. However, the law permits employers to define eligible employee within other parameters in their health benefit plan. For example, an employer could define an eligible employee as a person who works at least 25 hours per week or 30 or some other number of hours. The carrier is required to allow all employees working 20 or more hours as eligible employees if the employer chooses.

The intent of the law is to assist small employers to offer health benefits, not to mandate the coverage. The Department of Health is pleased to provide you with this information guide regarding the small group insurance market. If you have any questions, please feel free to call (612) 282-5600 or 1-800-657-3916.

Warmest regards,

Mary Jo O'Brien
Commissioner of Health

An Equal Opportunity Employer

Introduction

Who qualifies as a small employer?

Any person, firm, corporation, partnership, association or other entity actively engaged in business who employs 2-29 employees who worked at least 20 hours per week during at least 50 percent of its working days during the preceding calendar year.

Does a small employer have to purchase health care coverage for its employees?

No, the law does not require small employers to offer group coverage to their employees at all.

What if I already have group health care coverage for my employees? Will I have to purchase different health care coverage?

No. If you already have group health care coverage that was issued by one of the participating health maintenance organizations (HMOs) or insurance companies, it can be renewed as scheduled. Upon renewal, however, the plan will have to comply with the requirements of the small employer market reforms and you may experience some adjustments in premiums.

Do all of the insurance companies and health maintenance organizations (HMOs) operating in Minnesota offer small employer health plans?

No, coverage is marketed, offered, sold, issued, or renewed only by those insurance companies and HMOs that have decided to participate in the small employer health plan market. A list of the participating insurance companies and HMOs which have approved policies and rates as of December 6, 1993 is included in this brochure.

Do the participating health plan carriers have to guarantee small employers coverage if they request it?

Yes, if at least 75% of the eligible employees participate in the health plan and if the employer contributes at least 50 percent of the cost of coverage for each eligible employee, the employer is guaranteed the issuance and renewal of any health plan selected.

Can the dependents be covered under the small employer group health plan?

Yes, dependents, including spouses and children, can be covered.

Can the carrier exclude coverage for individuals with pre-existing conditions?

Yes, however, such exclusions or limitations cannot be for more than 12 months or for more than 18 months for those who enter the plan after the initial enrollment period.

If I hire new employees who were covered under their previous employer's group health plan, can they be added to my company's plan without application of a pre-existing condition limitation or exclusion?

Yes. If these employees have maintained continuous coverage under the previous employer's health plan, they can be added to your company's health plan without application of the 12 or 18 month pre-existing condition limitations. They may be subject, however, to the unexpired portion of any pre-existing condition limitation or exclusion that was in effect with the previous coverage. This is known as portability of coverage.

Will premium rates be the same for all small employers?

No, premium rates will vary from employer to employer depending upon the general health status, claims experience and the age of the covered employees as well as the industry and work location of the employer.

Will the premium rates for my company's health plan increase at renewal?

They may. While overall rate increases by health plan carriers are limited by the MinnesotaCare law, rates for plans purchased by your company may increase due to normal medical care inflation and for reasons related to changes in the factors listed in the previous question.

Will the gender of the employees be considered in the setting of the premium rates?

No, the law prohibits the use of gender of eligible employees and dependents in the determination of premium rates.

What kinds of health plans are available to small employers?

All participating insurance companies and HMOs are required to offer a deductible plan and a copayment plan. More comprehensive plans may also be available. Comprehensive plans are frequently selected by employers and commonly cost as much as 60% more than basic coverage.

Are there any similarities between the two required plans?

Yes, both plans have a maximum out-of-pocket cost maximum of \$3,000 per individual and \$6,000 per family. Both of the required plans provide a lifetime maximum benefit of \$500,000.

A deductible plan must offer benefits equal to 80% of the charges in excess of an annual deductible which must be \$500 per individual and \$1,000 per family.

The copayment plan provides benefits equal to 80% of the charges over and above the following copayments:

- ◆ \$15 per outpatient visit, including visits to an urgent care center.
- ◆ \$15 per visit for the services of a home health agency or private duty registered nurse.
- ◆ \$50 per outpatient visit to a hospital outpatient department or emergency room, or similar facility.
- ◆ \$300 per inpatient admission to a hospital

What benefits are provided by the required deductible and copayment plans?

Each of the two required health plans provides the following benefits:

- ◆ inpatient and outpatient hospital services.
- ◆ physician, chiropractor, and nurse practitioner services for the diagnosis or treatment of illnesses, injuries, or conditions.
- ◆ diagnostic X-rays and laboratory tests.
- ◆ ground transportation provided by a licensed ambulance service.
- ◆ services of a home health agency.
- ◆ services of a private duty registered nurse.
- ◆ the rental or purchase, as appropriate, of durable medical equipment.
- ◆ child health supervision services up to age 18.
- ◆ maternity and prenatal care services.
- ◆ inpatient hospital and outpatient services for the diagnosis and treatment of certain mental illnesses or conditions.
- ◆ ten hours per year of outpatient mental health diagnosis or treatment of certain illnesses or conditions.
- ◆ 60 hours per year of outpatient treatment of chemical dependency.
- ◆ 50 percent of eligible charges for prescription drugs, up to a separate annual maximum out-of-pocket expenses of \$1,000 per individual for prescription drugs, and 100 percent of eligible charges thereafter.

**Comparison of Small Employer Group Rates
for a Typical Group of 15 Employee
Two Tier Demonstration
Highest Cost Geographic Area
Effective January 1, 1994**

Carrier	Deductible Plan		Copayment		Expected Loss Ratio
	Employee	Dependents*	Employee	Dependents*	
Blue Cross Blue Shield	87.20-145.34	141.37-235.62	97.52-162.53	158.09-263.49	75%
Blue Plus	86.13-143.56	129.54-215.92	96.23-160.38	144.74-241.20	76%
Central Minnesota Group Health Plan	71.16 - 118.60	117.21-195.35	71.16 - 118.60	117.21 - 195.35	75%
First Plan HMO	65.67 - 109.45	98.77 - 164.61	73.40 - 122.33	110.39 - 183.98	76%
HealthPartners	69.12 - 115.30	121.06 - 201.76	69.12 - 115.20	121.06 - 201.76	75%
MedCenters Health Plan	72.66 - 121.10	127.26 - 212.10	72.66 - 121.10	127.26 - 212.10	75%
Medica	87.15-145.25	157.78-254.64	87.92-146.54	154.13-256.88	82%
Pioneer Life Insurance**	218.88	298.29	226.28	332.86	75%

*Average Cost of Dependent Coverage for Employees with Dependents.

** Pioneer Insurance Company elected to submit one rate for each category without any variations.

Rates and contracts of additional insurance companies are pending approval by the Department of Commerce. Rates of these additional insurance companies will be listed in the next publication of this brochure.

This group consisted of 15 employees, 7 spouses and 11 dependent children. Details of this model group are on page 6.

For the two HMOs not operating in the metropolitan area, their highest rate will be for their only area of operation. That is, St. Cloud and surrounding communities for Central Minnesota Group Health Plan and Two Harbors/Duluth for First Plan. For other plans the highest rate is for the metropolitan area and members in other areas of the state may have rates up to 20% less than the metropolitan rates shown in the table.

Many employers choose a plan with richer benefits, these plans often have a rate that is up to 60% higher than the plans noted above. Loss Ratio is the projected incurred claims experience divided by projected earned premiums for the period.

This Table is actuarially representative of a small employer group in Minnesota and provided to let readers know what the rate calculations in this brochure were based on. The determination to do the rate comparison based on a model small employer group was made to provide a better and yet simpler comparison than providing the detailed rates of each provider for employees, spouses and dependent children by age bands with adjustments for geographic areas.

Model Group for Comparative Rate Illustrations

Employee #	EE Age	Spouse Age	Number of Children
1	22		0
2	22		0
3	22		0
4	27		0
5	27		0
6	27	27	0
7	32		1
8	32	32	1
9	37		0
10	37	37	2
11	42	42	2
12	47	47	3
13	52	52	2
14	57	57	0
15	65		0

EE = Eligible Employee

Assumptions of Children's Ages:

Number of children in the entire group:

- 3 children at the ages of 0 to 4 years
- 7 children at the ages of 5 to 19 years
- 1 child at the age of 20 to 24 years

SMALL EMPLOYER MARKET

Blue Cross Blue Shield

P.O. Box 64560
St. Paul, Minnesota 55164-0560
612/456-5050; 1-800-382-2000

Blue Plus

3535 Blue Cross Road
P.O. Box 64179
St. Paul, Minnesota 55164
612/456-8000; 1-800-382-2000

Central Minnesota Group Health Plan

1245-15th Street North
St. Cloud, Minnesota 56303
612/259-7356

First Plan HMO

1010 Fourth Street
Two Harbors, Minnesota 55616
612/834-7207; 1-800-584-9488; 1-800-635-4159 (Duluth members)

Health Partners

8100-34th Avenue South
P.O. Box 1309
Bloomington, Minnesota 55440-1309
612/883-7000; 1-800-828-1159

MedCenters Health Plan

7760 France Avenue South
Minneapolis, Minnesota 55435
612/897-2000; 1-800-245-0655 (Outstate)

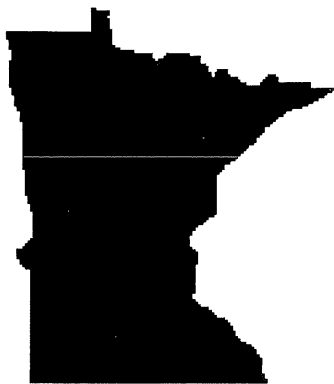
Medica

P.O. Box 1587
Route 0501
Route 0501
Minneapolis, Minnesota 55440-1587
612/945-8000; 1-800-952-3455 (Outstate)

Pioneer Life Insurance Company of Illinois

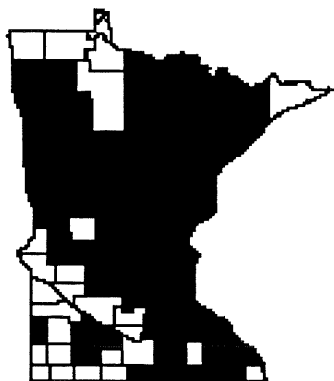
P.O. Box 619075
5005 Royal Lane
Irving, Texas 75063
1-800-950-0084

Participating Companies



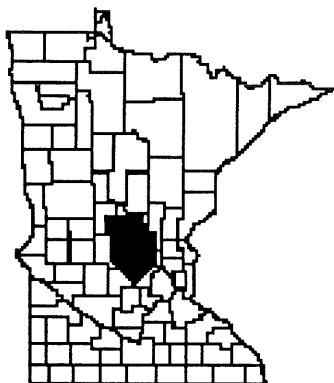
Blue Cross Blue Shield

Covers entire state.



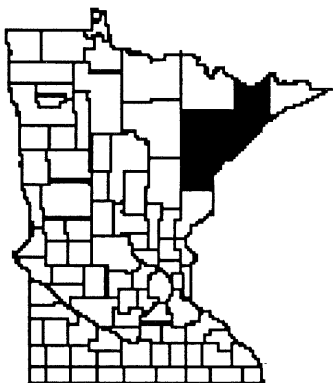
Blue Plus

Counties included: Aitkin, Anoka, Becker, Benton, Brown, Carlton, Carver, Cass, Chisago, Clay, Cottonwood, Crowwing, Dakota, Dodge, Douglas, Faribault, Freeborn, Goodhue, Grant, Hennepin, Hubbard, Isanti, Itasca, Kanabec, Koochiching, LeSueur, Lincoln, McLeod, Marshall, Meeker, Mille Lacs, Mower, Olmsted, Otter Tail, Pennington, Pine, Polk, Pope, Ramsey, Red Lake, Redwood, St. Louis, Scott, Sherburne, Stearns, Wabasha, Wadena, Washington, Wilkin, Wright. Portions of: Clearwater, Fillmore, Kandiyohi, Lake, Mahnomen, Morrison, Norman, Rice, Steele, Stevens, Todd, Wasica, Winona.



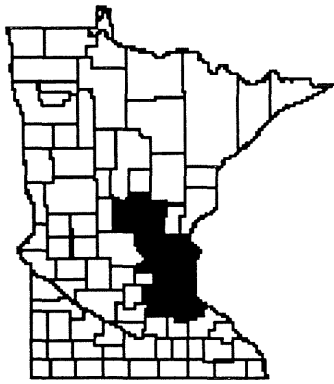
Central Minnesota Group Health Plan

Consists of all of the cities and townships in Benton, Morrison, and Sherburne Counties and the eastern half of Stearns County, northern portion of Wright County, portions of Todd County and portions of Crow Wing County.



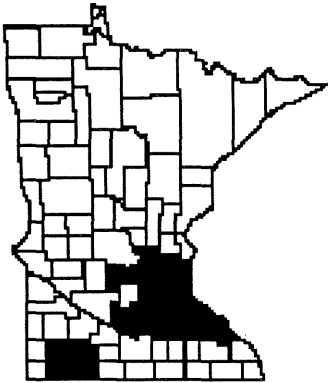
First Plan HMO

Consists of Lake, Carlton Counties and the southern portion of St. Louis County.



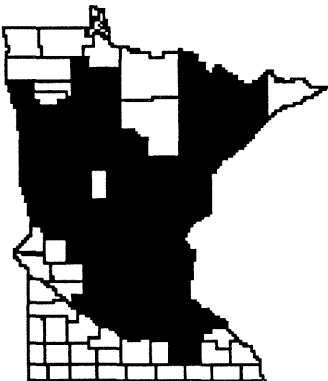
Health Partners

Consists of the following counties: Hennepin, Ramsey, Washington, Anoka, Scott, Dakota, Carver, Chisago, Isanti, Rice, Wright, Sherburne, Mille Lacs.



MedCenters Health Plan

Consists of the following counties: Anoka, Carver, Chisago, Cottonwood, Dakota, Goodhue, Hennepin, Jackson, LeSeuer, McLeod, Murray, Nobles, Ramsey, Rice, Sherburne, Sibley, Wabasha, Washington, and Wright.



Medica

Consists of the following counties: Metro -- Anoka, Scott, Dakota, Hennepin, Carver, Ramsey and Washington; Non-Metro -- Beltrami, Clearwater, Norman, Mahnommen, Clay, Becker, Wilkin, Grant, Douglas, Todd, Pope, Mille Lacs, Morrison, Aitkin, Pine, Kanabec, Isanti, Chisago, Kandiyohi, Meeker, Wright, Renville, Sibley, Nicollet, Steele, Rice, Dodge, McLeod, Goodhue, LeSueur, portions of Polk, Cass, Crow Wing, St. Louis, Lake, Hubbard, Otter Tail, Carlton, Benton, Sherburne, and Stearns.



Pioneer Insurance

Covers entire state.

For information regarding available coverage and premium rates for your company, call your local insurance agent.

For information about health maintenance organizations (HMOs):

Minnesota Department of Health
Health Care Delivery Systems Division
P.O. Box 64975
St. Paul, Minnesota 55164-0975
612/282-5600; 1-800-657-3916

For information about insurance companies or non-profit health service plans:

Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101-2362
612/296-4026

For information about tax implications related to the provision of health care coverage for employees:

Internal Revenue Service
Room 385 Federal Building
316 North Robert Street
St. Paul, Minnesota 55101
612/644-7515; 1-800-829-1040

For information about the employer insurance pool:

Minnesota Employees Insurance Program (MEIP)
612/5601; 1-800-829-5601 (Program and rate information)
or write to:
Department of Employee Relations
200 Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155