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**WHAT
COLORADO
SMALL
EMPLOYERS
NEED TO
KNOW ABOUT
HEALTH
INSURANCE**

**A guide for employers with
2-50 employees**

**A publication of the
Department of Regulatory Agencies
Colorado Division of Insurance
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I. Know Your Rights

Over the past four years, Colorado has passed some tough new laws designed to provide small employers with increased coverage, premium, and benefit protections. Among the more important:

Guarantee Issue

- ◆ **Under most circumstances, you have a right to small group coverage under a Basic or Standard Health Benefit Plan, on demand, from any small group carrier in the state. Health carriers must issue your group a Standard or Basic Health Benefit Plan if you satisfy the provisions of the plan and agree to make required premium payments. This is true for all small employers regardless of occupation or the health of the group.**
- ◆ **If you apply for and are declined coverage under one of a carrier's regular plans (i.e., not the Basic or Standard plan), the carrier must offer you the opportunity to purchase a Standard or Basic Health Plan.**

Copies of the Basic and Standard Health Benefit Plans may be obtained by writing the Colorado Division of Insurance.

- ◆ A **health carrier** who sells you any of its health plans **must offer to cover all eligible employees** regardless of their health.
- ◆ **Health carriers cannot exclude coverage** of certain conditions for individual employees **through policy riders.**
- ◆ The **maximum period during which a health carrier can exclude coverage for a health condition** that existed prior to the effective date of coverage **is six months.**
- ◆ **Health carriers are required to give every person** covered under a small employer plan **“credit” for any pre-existing condition exclusion period already met under a prior plan** if no more than 90 days have lapsed between coverages.

Other Key Protections

- ◆ If your policy was issued after July 1, 1994, the **only factors a health carrier may use in setting premiums** for your group are **industry, claims experience on the plan, class of business, and specified case characteristics** (i.e., age, geographic location, and family composition of persons covered under your plan.) Gender is eliminated as a factor.
- ◆ **Health carriers are required to renew your coverage** if you want it renewed. They cannot cancel your policy unless they pull out of the Colorado market entirely, or you commit fraud, abuse or fail to pay your premiums.

- ◆ **If you change health carriers, the new carrier must cover everyone who was covered under the old policy.** Health carriers cannot “dump” high risk eligible employees or dependents.
- ◆ **Health carriers must explain** in their sales and solicitation materials **how they calculate premium rates.**
- ◆ **Health carriers must disclose** to you **how experience, health status, and duration of coverage will affect your premiums** and must tell you what class of business they've placed you in.
- ◆ **Health carriers must allow employees and dependents** no longer covered by your small group plan **to continue coverage**, at their own expense, on your group plan **for up to 18 months** or until they become eligible for other group insurance, whichever occurs first.
- ◆ **Insured employees and dependents have the right to convert to an individual Standard or Basic Health Benefit Plan.**

This guide was developed for employers with 2 to 50 employees. Effective January 1, 1996, however, the small group insurance reforms discussed here will also apply to self-employed individuals.

II. Questions to Ask

When shopping for health coverage, it is important to make sure you are actually buying the coverage you want and can afford. Employers and employees should make a list of their needs to compare with actual policy provisions. Listed below are some key questions you should ask when shopping for coverage.

Coverage

Ask about the nature and extent of coverage offered by different plans. Ask that coverage provisions be shown to you in the policy contract.

- ◆ What does the plan cover (scope of benefits)?
- ◆ What is not covered by the plan (exclusions)?
- ◆ Does the plan cover the treatments and services my employees want covered?
- ◆ Are any of the following sometimes excluded benefits covered and, if so, to what extent: preventive care, immunizations, well-baby care, substance abuse, organ transplants, vision care, dental care, prescription drugs, infertility counseling, durable medical equipment? Others?

Premiums

When comparing plans, compare benefits to find out why one plan is cheaper than another.

- ◆ Compare the types of plans, including indemnity, preferred provider, and HMO. How do benefit and reimbursement levels differ? Will rates increase as the group ages? How often can rates be changed?

- ◆ Compare deductible and copayment requirements. How much are the out-of-pocket maximums? What is the minimum amount I, the employer, must contribute (e.g., 75 % of the premium)? Is this acceptable?
- ◆ Compare lifetime benefit caps on coverage.

Claims Payments

- ◆ What is the basis for paying claims under the policy? For example, if it is "usual and customary rates," find out exactly what this means.
- ◆ If "preauthorization" is required, what is involved? Does it guarantee payment?
- ◆ If the plan normally pays less than what your doctor charges, who makes up the difference?

Plan Restrictions

- ◆ Are there restrictions on the use of providers and services under the plan? Are my employees comfortable with these restrictions?
- ◆ Will the list of restrictions be available to each employee and regularly updated?

Affordability

- ◆ What kind of coverage can I afford?
- ◆ How much coverage can my employees afford?
- ◆ By how much can I lower the cost of coverage if I buy a health benefit plan with a higher deductible or higher copayments?

Worst Case Scenario

Investigate how much coverage different plans would provide under a worst case scenario (e.g., someone requires \$100,000 in specialty care that only one very expensive hospital can provide, or needs \$200 a month in either prescription or non-

prescription drugs, or has a sports injury that requires long-term physical therapy, or develops a long-term chronic disease requiring continuing care).

- ◆ How much would a covered employee or dependent have to pay out-of-pocket under a worst case scenario?

Cost Containment

Look at the cost containment features of different plans. Are any of the following cost containment approaches required?

- ◆ utilization review
- ◆ separate deductible and out-of-pocket accumulations for in- and out-of-network benefits
- ◆ alternative dispute resolution
- ◆ managed care

Customer Service

Find out how good a job different carriers do of customer service and how solid the company is.

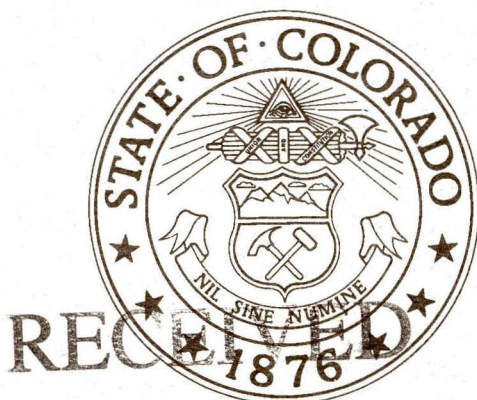
- ◆ Is this an established carrier?
- ◆ How long has the carrier been active in the small group market?
- ◆ Has the company had an unusually high number of consumer complaints?
- ◆ What happens when I call the consumer complaint number?

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III. For More Information

This brochure was prepared by the Colorado Division of Insurance. For further information, please call (303) 894-7490, or write:

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