THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF CONSUMER AFFAIRS
DIVISION OF INSURANCE
280 FRIEND STREET, BOSTON, 02114
(617) 727-7189

GLORIA C. LARSON
SECRETARY

KAY DOUGHTY
COMMISSIONER

BULLETIN 92-02

TO: All Licensed Companies Authorized to Transact the Business of Health Insurance

FROM: Kay Doughty, Commissioner of Insurance

RE: Massachusetts Small Employer Health Reinsurance Plan

DATE: July 27, 1992

As you may be aware, Section 42 of Chapter 495 of the Acts of 1992--the Small Group Health Insurance Law--was enacted on December 31, 1991 and became effective on April 1, 1992. Section 42 of Chapter 495 is codified in Massachusetts General Laws chapter 176J ("Chapter 176J"). Regulations for Small Group Health Insurance are contained in the Code of Massachusetts Regulations at 211 CMR 66.00.

The purpose of this bulletin is two-fold. First, this bulletin orders certain commercial carriers to provide specific information to the Division of Insurance by August 15, 1992. Second, this bulletin provides an update to commercial carriers regarding the Massachusetts Small Employer Health Reinsurance Plan, ("Reinsurance Plan") which is created by Section 8 of Chapter 176J. A separate bulletin will be issued soon with answers to common questions related to the Small Group Health Insurance Law and regulation.

The Division of Insurance desires to successfully implement the Small Group Health Insurance Law. A successful Reinsurance Plan is vital to that effort. Therefore, I personally join with the Reinsurance Plan Governing Committee's request for volunteers for the subcommittees listed in Part II of this bulletin.

Questions regarding this bulletin may be addressed to Teresa Gallinaro, of the Division's Health Policy Section, at (617) 727-7189, ext. 542.

I. Order to Provide Information

Chapter 176J establishes significant new requirements regarding health insurance for small businesses with 25 or fewer employees. One major new requirement is that commercial carriers guarantee the issuance of coverage to such small groups upon application unless a specific regulatory exception applies.

Chapter 176J, Section 8 establishes the Reinsurance Plan. The purpose of the Reinsurance Plan is to provide reinsurance coverage to commercial carriers based on Chapter 176J and the Plan of Operation for the Reinsurance Plan. Under Chapter 176J, Section 8, "[a]ll commercial carriers issuing health benefit plans to an eligible small business on or after April first, nineteen hundred and ninety-two shall be members of the reinsurance program." The terms "health benefit plan" and "eligible small business" are defined in the Small Group Health Insurance regulation (211 CMR 66.04).

It is now necessary to determine which commercial carriers are members of the Reinsurance Plan. Therefore, in accordance with my authority under Massachusetts General Laws chapter 175 and Chapter 176J, all insurance companies licensed under Massachusetts General Laws chapter 175 and authorized to transact the business of health insurance in Massachusetts are hereby ordered to provide the following information in writing to the Division by August 15, 1992:

1. whether the insurance company has issued health benefit plans to an eligible small business directly or through an intermediary or an association not exempt under the law on or after April 1, 1992; and

2. whether the insurance company intends to issue health benefit plans to an eligible small business directly or through an intermediary or an association not exempt under the law on or after April 1, 1992.

The report of this information must be signed by a knowledgeable official of the insurance company. Please submit the information to:

Teresa Gallinaro,
Senior Policy Analyst
Health Policy Unit
Division of Insurance
280 Friend Street
Boston, MA 02114

It is necessary for all companies described above to comply with this order regardless of whether the company has previously provided similar information to the Division or has made any filings otherwise required by 211 CMR 66.00.

II. Update on Massachusetts Small Employer Health Reinsurance Plan

The Governing Committee of the Reinsurance Plan has been appointed and held its first meeting on June 25, 1992. The Governing Committee has requested that I provide you with the following information.

1. Each carrier which is a member of the Pool has been eligible to cede individuals or entire groups to the Pool since April 1, 1992. Since the Governing Committee has just met, it has not been possible for member carriers to notify the pool of any intended cessions. The Governing Committee's current plan is to allow member carriers to cede business to the pool retroactive to April 1, 1992, subject to the following conditions, as well as the requirements found in 211 CMR 66.00, in particular, 211 CMR 66.11(1)(c):

a. Decisions on which risks would have been ceded prior to August 15, 1992 must be communicated to the Governing Committee on or before August 15, 1992. This includes any decisions as to which 60 day notice period in the Reform Law has expired.

b. Decisions on which risks will be ceded on and after August 15, 1992 must be communicated to the Governing Committee within the 60 day notice period specified in the Reform Law.

c. Until such time as the Governing Committee has adopted forms and procedures for formally transmitting cessions, carriers may preserve their rights to cede individual employee risks by transmitting the carrier's name, name of the group and policy number under which an employee is insured, effective date of the group's coverage, and name, social security number and effective date of coverage of the employee.

d. Until such time as the Governing Committee has adopted forms and procedures for formally transmitting cessions, carriers may preserve their rights to cede risks for the entire group by transmitting the carrier's name, name of the group and its policy number, effective date of the group's coverage, and names and social security numbers of all employees in the group being reinsured.

For both items c. and d. above, the information should be mailed to the Massachusetts Small Employer Health Reinsurance Plan, P.O. Box 787, Boston, MA 02117. Please be aware that carriers will be required to make a formal cession, in addition to the informal process described above, once the Governing Committee has adopted the forms and procedures for formally transmitting cessions.

e. The Governing Committee believes most decisions as to whether a carrier will cede or retain a risk will be clear-cut. However, the Governing Committee is aware some carriers may wish guidance on the

benefits to be provided under a prototype policy (which will be used to determine reinsurance benefits) and applicable reinsurance rates. Since a prototype plan has not yet been adopted and reinsurance rates not yet developed, specific information on these points cannot be provided at this time. However, the Governing Committee indicates that the prototype plan to be developed will probably not vary in a major way from similar plans adopted in other states, such as Connecticut and North Carolina. Reinsurance rates applicable in those states should be reviewed, and premium rates for Massachusetts should be compared with premium rates for states with reinsurance pools, to obtain some idea as to reinsurance rates which may be charged in Massachusetts.

2. Any carrier which is interested in providing administrative services to the Pool should contact the Chair of the Pool to express that interest. Please contact: Kathleen Muleski, Chair of the Governing Committee, at telephone (617) 578-6061; fax (617) 247-2824 through August 16. As of August 17, the fax number will be (617) 578-5505.

3. The Governing Committee has established four Subcommittees which will do the ground work needed to make the Pool operational. To help the Pool become operational as quickly as possible, and to draw upon the expertise of member companies, the Governing Committee strongly requests and welcomes member companies to volunteer their services for the subcommittees. Interested persons should contact the Chairs of the respective subcommittees, as follows:

Operations Subcommittee: John F. Troy, Travelers,
Telephone: (203) 277-4271; fax: (203) 954-0477.

Benefits Subcommittee: Robert T. Dobbins, Guardian,
Telephone: (212) 598-1915; fax: (212) 598-9836.

Actuarial Subcommittee: Ned Crocker, John Alden,
Telephone: (305) 470-3376; fax: (305) 470-3403.

Legal Subcommittee: Joseph S. Flowers, Chubb Life
Telephone: (603) 226-5344; fax: (603) 226-5448.

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