

# SENATE BILL No. 980

January 24, 2006, Introduced by Senators HARDIMAN, GEORGE, CROPSEY, KUIPERS, BISHOP, BIRKHOLZ, BROWN, McMANUS, ALLEN and CASSIS and referred to the Committee on Health Policy.

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,  
9 ~~and~~ age, **AND USE OF TOBACCO PRODUCTS** may be used for determining

1 the premiums within a geographic area for a small employer or sole  
2 proprietor located in that geographic area. For a health  
3 maintenance organization, only industry, age, ~~and~~ group size, **AND**  
4 **USE OF TOBACCO PRODUCTS** may be used for determining the premiums  
5 within a geographic area for a small employer or sole proprietor  
6 located in that geographic area. For a commercial carrier, only  
7 industry, age, group size, ~~and~~ health status, **AND USE OF TOBACCO**  
8 **PRODUCTS** may be used for determining the premiums within a  
9 geographic area for a small employer or sole proprietor located in  
10 that geographic area.

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

20 (i) For a renewal occurring on or after ~~the effective date of~~  
21 ~~this chapter~~ **JANUARY 23, 2004** and through December 31, 2004, 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 be higher than 15% above the index rate or lower than 35%  
25 below the index rate.

26 (ii) For a renewal occurring on or after January 1, 2005, the  
27 premiums charged for a health benefit plan in a geographic area to

1 small employers or sole proprietors located in that geographic area  
2 shall not vary from the index rate for that health benefit plan by  
3 more than 35% of the index rate.

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

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

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

24 (iii) For a renewal occurring on or after January 1, 2006, the  
25 premiums charged for a health benefit plan in a geographic area to  
26 small employers or sole proprietors located in that geographic area  
27 shall not vary from the index rate for that health benefit plan by

1 more than 45% of the index rate.

2 (d) For a sole proprietor, a small employer carrier may charge  
3 an additional premium of up to 25% above the premiums in  
4 subdivision (b) or (c).

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

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

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

23 (5) A small employer carrier shall apply all rating factors  
24 consistently with respect to all small employers and sole  
25 proprietors in a geographic area. Except as provided in subsection  
26 (4), a small employer carrier shall bill a small employer group  
27 only with a composite rate and shall not bill so that 1 or more

1 employees in a small employer group are charged a higher premium  
2 than another employee in that small employer group.