

DEPARTMENT OF LABOR AND ECONOMIC GROWTH

OFFICE OF FINANCIAL AND INSURANCE SERVICES

STATE OF COMPETITION IN THE SMALL EMPLOYER CARRIER HEALTH MARKET

NOTICE OF PUBLIC HEARING

Tuesday, March 20, 2007, 1:30 p.m.

Ottawa Building, Conference Room #1, UP Level

611 West Ottawa

Lansing, MI 48933

Linda A. Watters, Commissioner of the Office of Financial and Insurance Services, the Department of Labor and Economic Growth, will hold a public hearing on March 20, 2007 at 1:30 p.m. in the Ottawa Building, located at 611 West Ottawa, Lansing, Michigan. The hearing is being held to receive public comments on the state of competition in the small employer carrier health market. A small employer carrier is one that offers health benefit plans covering the employees of a small employer. A small employer is defined as:

MCL 500.3701(p) "Small employer" means any person, firm, corporation, partnership, limited liability company, or association actively engaged in business who, on at least 50% of its working days during the preceding and current calendar years, employed at least 2 but not more than 50 employees. In determining the number of eligible employees, companies that are affiliated companies or that are eligible to file a combined tax return for state taxation purposes shall be considered 1 employer.

Under MCL 500.3721(1) – available at www.legislaturemi.gov - the Commissioner shall make a determination as to whether a reasonable degree of competition in the small employer carrier health market exists on a statewide basis. In making this determination, the Commissioner shall hold a public hearing in 2007. Therefore, on March 20, 2007 a public hearing will be held during which the Commissioner shall accept advice and input from the public. The record will remain open, and such advice and input will be accepted through March 30, 2007. Such advice and input may include, but is not limited to, the criteria upon which the report will be based and the list of questions contained in Attachment A to this notice. Comments may address one, some, or all of the criteria found below and questions attached to this public notice. As required under MCL 500.3721(1), a report on the Commissioner's findings will be issued by May 15, 2007.

The report will be based on relevant economic tests, including the following:

MCL 500.3721(3):

- (a) The extent to which any carrier controls all or a portion of the small employer carrier health benefit plan market.
- (b) Whether the total number of carriers writing small employer health benefit plan coverage in this state is sufficient to provide multiple options to small employers.

- (c) The disparity among small employer health benefit plan rates and classifications to the extent that those classifications result in rate differentials.
- (d) The availability of small employer health benefit plan coverage to small employers in all geographic areas and all types of business.
- (e) The overall rate level that is not excessive, inadequate, or unfairly discriminatory.
- (f) Any other factors the commissioner considers relevant.

If you do not wish to participate in the public hearing, you may still submit your views, arguments, and relevant supporting documentation via United States Mail to the address listed below:

United States Mail: Office of Financial and Insurance Services
 Attention: Karen Dennis
 Health Plans Division
 PO Box 30220
 Lansing, MI 48909

OR:

Via e-mail at: smallgrouppublichearing@michigan.gov. The record will remain open, and input will continue to be accepted through March 30, 2007.

The hearing site is accessible, including handicapped parking. Individuals attending the meeting are requested to refrain from using heavily scented personal care products in order to enhance accessibility for everyone. People with disabilities requiring additional accommodations, such as information in alternative formats in order to participate in the hearing should contact Shannon Moreno immediately. She may be contacted at our toll-free number (877) 999-6442 or at (517) 241-4549.

PLEASE NOTE: INFORMATION RECEIVED AFTER THE MARCH 30, 2007 DEADLINE WILL NOT BE ACCEPTED.

ATTACHMENT A

QUESTIONS CONCERNING THE STATE OF COMPETITION IN THE SMALL EMPLOYER CARRIER HEALTH MARKET

1. Is it your position that any one particular small employer carrier (named company) or carrier type (i.e. Health Maintenance Organization, Blue Cross Blue Shield of Michigan, or commercial carrier) unfairly controls the market? If so, upon what is that position based, and why? If there is a carrier unfairly controlling the market, what remedy(ies) do you recommend?
2. Is it your position that there are enough small employer carriers offering coverage to ensure that small employers have multiple carrier options from which to choose? If you believe there are geographic areas within Michigan that are lacking a sufficient number of small employer carriers available for small employers, please identify those areas. Please also recommend what resolution(s) you would recommend to correct this deficiency.
3. Is it your position that each carrier has enough benefit plan options from which to choose? If not, what benefit plan options are missing from the small employer carrier market?
4. Most, if not all carriers writing in the small employer carrier market use a different rating criteria when writing small employer groups than the criteria or methodology used when writing larger employer groups. When these practices are actuarially sound and applied uniformly, do you believe this is a reasonable practice? Why or why not? Does this practice impact competition in the small employer carrier market either positively or negatively? If so, in what way?
5. Chapter 37 of the Insurance Code allows for small employer carrier rates to be adjusted only for certain case characteristics, and those case characteristics may only be adjusted within the rate bands described in MCL 500.3705. Under this section, Blue Cross Blue Shield of Michigan (BCBSM) may adjust rates according to age and industry, Health Maintenance Organizations (HMOs) may adjust rates according to age, industry, and group size, and commercial carriers may adjust rates according to age, industry, group size, and health status. The rates charged for a given benefit plan within a given geographic area may not vary more than 35% above or below the index rate for BCBSM and HMOs; rates may not vary more than 45% above or below the index rate for commercial carriers.

The law allowing for strict rate bands and defined case characteristics by carrier type went into effect in January, 2004. Please focus on the degree to which the state of competition may have changed since this law was enacted when responding to the following:

- a. Is the rate disparity (+/- 35% or 45%) allowed under Chapter 37 reasonable? Does the rate disparity between the highest and lowest allowable rates

impede competition in the small employer carrier market? Have the defined rate bands had an impact on the degree of competition in the small employer carrier market? If so, please elaborate.

- b. Do any/all of the case characteristics as listed above have an effect on the state of competition in the small employer carrier market? If so, please describe what impact you believe case characteristics have had on this market.
6. Overall, have you found the rates charged for small employer carrier health benefit plans to be reasonable? Excessive? Unfairly discriminatory? If you believe that rates charged are either excessive or unfairly discriminatory, please describe in what way they are either excessive or unfairly discriminatory, and what recommendation(s) you may have to rectify the issue(s).
7. Public Act 88 of 2003 is the Act that added the Small Employer Group Health Coverage language known as Chapter 37 of the Michigan Insurance Code. It was passed in July, 2003 and enacted in January, 2004. Rates for health care coverage in all market segments has continued to increase since the implementation of PA 88 over three years ago. However, do you believe this act has had any effect on the rates charged to small employer groups for health care coverage? If so, what effect?
8. Do you believe Public Act 88 of 2003 has had any effect on the state of competition in the small employer carrier health market? If so, what effect?
9. Please provide any other comments relevant to the state of competition in the small employer group market you may have. In particular, the Commissioner is interested in any comments relating to the effect of Public Act 88 of 2003 on the small employer group market.

REMINDER: COMMENTS WILL RECEIVED ONLY THROUGH MARCH 30, 2007