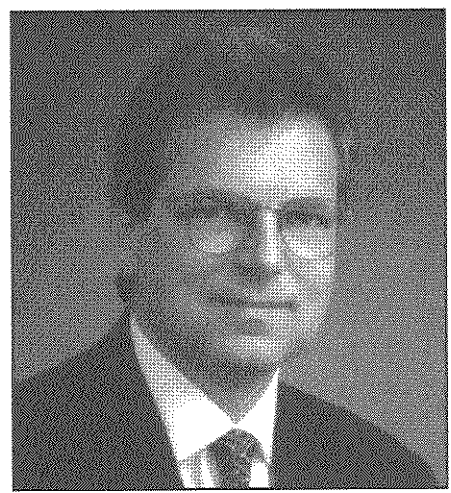


Small Employer Health Reform



Gary V. Cupo

by Gary V. Cupo

In November 1992, Gov. Jim Florio signed Small Employer Health Reform into law. This law, effective Jan. 1, 1994, affects employers with 2-49 employees. Florio also signed a reform bill for individual health coverage that went into effect August 1, 1993. On April 5, 1994, Governor Christie Whitman signed new legislation "reforming the reform" for the small employer health market.

All these legislative changes have caused confusion and allowed misinformation to proliferate. As a national health reform program begins to unfold, the confusion will be more prevalent.

The New Jersey Small Employer Health Benefits Program Board is the quasi-independent agency charged by the Legislature with overseeing the Small Employer Health Benefits Program, and is the agency responsible for developing the regulations which will shape the small group health insurance market in the future. The new law will change the landscape for every small employer (defined as those with between 2-49 full-time employees) who currently offer a health benefits plan. It may also affect those employers who do not currently offer a health benefits plan, but would like to do so.

Here is a brief overview of the changes in the law:

1. The law directed the Board to devise five standardized indemnity insurance plans and one standardized HMO plan. The standardized plans went on sale Jan. 1 of this year, and are the only plans currently available to an employer purchasing a health benefits plan, other than through an association, for the first time.

2. Employers and associations who offered a health benefits plan prior to Jan. 1, 1994, will be permitted to continue with that plan until the policy renewal date falling on or after Feb. 28, 1996. At that time, all small employers who wish to continue offering a health benefits plan will only be able to purchase one of the six standardized plans. Carriers will, however, be allowed to offer an unlimited number of riders to these policies.

3. Effective Sept. 11, 1994, all **renewals** of small employer plans — standardized plans and existing private or association plans — will be required to incorporate the reforms contained in the original health care reform statute in 1992. Those reforms provide the following:

No small employer group, or member of the group, may be denied coverage, regardless of health, age, sex, occupation, geography or any other factor.

No small employer group may be denied renewal of coverage, except for non-payment of premium or fraud.

Pre-existing condition exclusions are eliminated for groups of six to 49 employees, and limited to six months for groups of two to five employees.

Community rating, which requires carriers to charge the same premium for all covered individuals, will be phased in over the next two and a half years. Between Sept. 11 1994, and Dec. 31, 1995, all premiums charged for a given plan will have to fall within a 3:1 ratio from the highest to the lowest rated group. The ratio will drop to 2:1 from Jan. 1, 1996, to Dec. 31, 1996, and will be eliminated Jan. 1, 1997. During the phase-in period, carriers will be allowed to use only gender, geography and age in determining premiums within the ratio.

Employers with between 2 and 19 employees will be required to offer former employees some of the same options for extending group coverage that currently apply under federal COBRA rules to employers with 20 or more workers. This rule applies to workers terminated for reasons other than cause, and to those whose work hours are reduced to less than 25 per week.

A comprehensive lecture on the law and how it pertains to your business will be held at Small Employer Group Health Insurance Reform Workshops on Nov. 22 and Dec. 1 at New Jersey Motor Truck Association headquarters at 160 Tices Lane, East Brunswick. Registration is \$25 for NJMTA members and \$50 for nonmembers.

Several years ago, I was honored to be hired as a benefit consultant for New Jersey Motor Truck Association Group Insurance Trust. Today, I am privileged to serve as the Preferred Broker/Consultant of NJMTA Group Insurance Trust. My company, Benefits Solutions, is now available to guide association members through the numerous changes that will occur as health insurance reforms are phased in over the next several years.

My associates and I stand ready to assist you every step of the way. In fact, I hope to anticipate some of your questions in this new column BENEFITS SOLUTIONS. If there are specific questions that you would like addressed in future articles, please call my office at 201-305-0050.

Gary V. Cupo, CLU, ChFC, President of Benefits Solutions, is one of New Jersey's leading authorities on small employer health reform and employee benefits since 1973. He is state president-elect of New Jersey Association of Health Underwriters representing health agents and consumers concerning Health Care legislative reforms in Trenton and Washington, DC.