

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda—underwritten by global corporations—includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With **ALEC EXPOSED**, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board --in recent past or present

- AT&T Services, Inc.
- centerpoint360
- UPS
- Bayer Corporation
- GlaxoSmithKline
- Energy Future Holdings
- Johnson & Johnson
- Coca-Cola Company
- PhRMA
- Kraft Foods, Inc.
- Coca-Cola Co.
- Pfizer Inc.
- Reed Elsevier, Inc.
- DIAGEO
- Peabody Energy
- Intuit, Inc.
- Koch Industries, Inc.
- ExxonMobil
- Verizon
- Reynolds American Inc.
- Wal-Mart Stores, Inc.
- Salt River Project
- Altria Client Services, Inc.
- American Bail Coalition
- State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. **DO YOU?**

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Health Insurance Reform Act for Small Business Coverage

Summary

The purpose of this Act is to reform the small group health insurance market so as to ensure small employers' access to health insurance at more predictable and affordable rates. Currently, over 50 percent of the working, uninsured are employed by firms with fewer than 25 people. ALEC's proposal contains three critical components necessary to reform the small group insurance market. This legislation would make small group insurance portable, renewable, and affordable.

Portability guarantees that, once employees have entered the health insurance system, they cannot be canceled even if employment is changed. This means that employees would be guaranteed the right to convert to a permanent individual health insurance plan if they leave their place of employment. Renewability guarantees that no small group could be singled out for termination due to health, claim costs, or length of coverage. Furthermore, it guarantees that no small group could be singled out for abusive rate increases for high claim costs. This safeguards against the negating of coverage due to health conditions, a problematic occurrence in the small group market. Lastly, this bill achieves affordability by eliminating expensive mandated benefits and enforcing stable rate increases. By enforcing stable rates, the model would discourage practices known as "low balling" and "tier rating." These practices involve charging extremely low rates to new groups attract new customers and then giving large rate increases in the second or subsequent years.

ALEC's small group act does not contain community rating or guaranteed issue provisions, two measures that are often included in small group insurance reform. Guaranteed issue requires private carriers to sell coverage to anyone at anytime, regardless of their health status. Community rating requires private carriers to charge everyone identical premium rates. Under this approach, about 75 to 90 percent of the insured population will pay more so that 10 to 25 percent can pay less. The Health Insurance Reform Act for Small Business Coverage excludes both provisions.

Model Legislation

{Title, enacting clause, etc.}

Section 1. This Act may be cited as the Health Insurance Reform Act for Small Business Coverage.

Section 2. {Definitions.} As used in this Act:

(A) The term "insurer" means an entity subject to the laws and regulations of this state, or subject to the jurisdiction of the commissioner, that contracts or offers to contract to provide, deliver, arrange, pay for or reimburse any of the costs of health care services, including a sickness and accident insurance company, a health maintenance organization, a nonprofit hospital and health service corporation, or any other entity providing a plan of health insurance, health benefits, or healthcare services.

An insurance company, insurance service, or insurance organization, including a health maintenance organization, which is licensed in the business of insurance in this state and which is subject to state law that regulates insurance.

(B) The terms "small employer" and "employer" mean a business that, during the most recent calendar year, employed at least 2 and not more than 50 employees who are eligible for coverage under a health benefit plan on at least 50 percent of that business' working days.

(C) The term "employee welfare benefit plan" has the same meaning as that term is given by the Employee Retirement Income Security Act of 1974 (29 USC Section 1001 et seq.).

(D) The terms "health benefit plan" and "plan" mean any employee welfare benefit plan that is issued by an insurer and that provides medical, surgical, or hospital care or benefits to employees of a small employer and their dependents. The terms shall exclude any individual major medical policy that is renewable at the option of the insured except for reasons set forth in paragraphs 3(A) or 3(C) of this Act or if the insurer non-renews all policies issued on the same policy form in this state. These terms also exclude any policy of group insurance that is not designed, administered, or marketed as a health benefit plan to be provided by an employer for its employees.

(E) The term "similar plans" means plans that do not materially differ from one another in any of the following respects:

Did you know that global pharmaceutical company Bayer Healthcare was the corporate co-chair in 2011?

- (1) the set of services covered;
- (2) utilization management provisions;
- (3) managed care network provisions;
- (4) the criteria used by the insurer in underwriting coverage under a plan where variations in such criteria may reasonably be expected to produce substantial variation in the claims costs incurred under the plan.

(F) The term "case characteristics" means demographic and other relevant characteristics as determined by the insurer that are considered by the insurer in the determination of premium rates for a small employer but excluding:

- (1) claims experience;
- (2) health status; and
- (3) duration of coverage since date of issue.

Section 3. {Non-renewal.}

(A) No insurer providing coverage under a small employer health benefit plan shall fail to renew such plan except for any of the following reasons:

- (1) nonpayment of required premium;
- (2) fraud or misrepresentation on the part of the plan sponsor;
- (3) noncompliance with provisions of the plan including provisions regarding minimum numbers of or percentages of insured employees;
- (4) non-renewal upon 180 days written notice with respect to all small employers in the state;
- (5) movement outside the service area;
- (6) membership of an employer in a bona fide association ceases where health insurance coverage is made exclusively in the state through one or more bona fide associations.

(B) An insurer that exercises its right of non-renewal as provided in paragraph 2(a)(4) may not accept any new small employer business for a period of five years beginning on the date of the discontinuance of the last insurance coverage not so renewed;

Section 4. {Experience Rating.}

(A) The premium rate charged in connection with a small employer health benefit plan shall be the same for all small employers with similar case characteristics covered under similar plans. Notwithstanding the foregoing, an insurer may adjust the premium charged to an employer in connection with the plan based upon that employer's claims experience, the health of persons covered under the plan, and the duration of coverage since the date of issue, provided that the total premium shall not exceed two times the lowest premium charged to an employer with similar case characteristics.

(B) Subject to the limitations set forth in paragraph 4(A), the percentage increase in the premium rate charged to a small employer may not exceed the sum of:

- (1) the percentage change in the new business premium rate for employers with similar case characteristics as measured between the first day of the calendar year in which the new rates take effect and the first day of the prior calendar year; plus
- (2) an adjustment not to exceed 15 percent annually based on claims experience, health status, or duration of coverage; plus
- (3) any adjustment due to changes in the coverage provided or changes in the case characteristics of the employer.

Section 5. {No Excluded Occupations.} No insurer may refuse to offer coverage under a health benefit plan to employees of a small employer based solely on the nature of the employer's business. An insurer may charge an additional premium based on the nature of the employer's business, but the total premium may not exceed 150 percent of the lowest premium that would be charged to that employer under Section 4 of this Act without regard to the nature of the employer's business.

Section 6. {No Mandated Benefits.} No statute or regulation that mandates the provision of specified health insurance benefits or that prohibits or limits the use of managed care shall be construed to apply to any small employer health benefit plan or any conversion policy provided in accordance with Section 5 of this Act.

Section 7. {Conversion Privilege.}

(A) Any person who has been continuously covered for at least 90 days under a small employer health benefit plan and who thereafter loses such coverage by reason of any of the following:

- (1) termination of employment;
- (2) reduction of hours;
- (3) divorce;

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(4) attainment of any age specified in the plan;

(5) expiration of any continuation of coverage available as required by state or federal law;

(6) cancellation of the plan by the employer or non-renewal thereof due to failure to pay required premium unless within 31 days thereafter the employer provides coverage to any employee under any employee welfare benefit plan which provides medical, surgical, or hospital care or benefits; or

(7) non-renewal of the plan as set forth in paragraph 3(a)(4) of this Act; shall upon written request to the insurer, be entitled to receive an individual conversion policy. Such request shall be made within 31 days of loss of coverage. The premium for any given period shall not exceed 135 percent of the rate that would have been charged with respect to that person had the person been covered as an employee under the plan during the same period. When the plan under which such person was covered has been canceled or not renewed, the rates shall be based on the rate that would have been charged to such person had the plan continued in force as determined by the insurer in accordance with standard actuarial principles.

(B) Benefits provided under such conversion policy shall not be less than the benefits provided under the plan. The insurer may apply any benefits paid under the plan against the benefits limits of the conversion policy provided that if it does so, it shall also credit the insured with any waiting period, deductible, and coinsurance to the extent credited under the plan.

Section 8 {Prohibiting Discrimination.} A health benefit plan may not establish rules for eligibility (including continued eligibility) of any individual to enroll under the terms of the plan based on any of the following health-status related factors in relation to the individual or a dependent of the individual:

(A) health status;

(B) physical or mental medical condition;

(C) claims experience;

(D) receipt of health care;

(E) medical history;

(F) genetic information;

(G) evidence of insurability;

(H) disability.

Nothing herein shall require a health benefit plan to provide particular benefits other than those provided under the terms of such plan or coverage or to prevent such a plan or coverage from establishing limitations or restrictions on the amount, level, extent, or nature of the benefits or coverage for similarly situated individuals enrolled in the plan or coverage.

Section 9. {Severability clause.}

Section 10. {Repealer clause.}

Section 11. {Effective date.}

Were your laws repealed?

1995 Sourcebook of American State Legislation. Amended by the HHS Task Force at the Annual Meeting, July 2002. Approved by the ALEC Board of Directors, August 2002.

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