

First Regular Session  
Sixty-fourth General Assembly  
STATE OF COLORADO

INTRODUCED

LLS NO. 03-0313.01 Julie Hoerner

SENATE BILL 03-017

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SENATE SPONSORSHIP

Tapia,

HOUSE SPONSORSHIP

(None),

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Senate Committees

State Veterans & Military Affairs

House Committees

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A BILL FOR AN ACT

101 CONCERNING THE ELIMINATION OF GEOGRAPHIC RATING AREAS USED  
102 TO CREATE PREMIUMS FOR SMALL GROUP HEALTH INSURANCE.

Bill Summary

*(Note: This summary applies to this bill as introduced and does not necessarily reflect any amendments that may be subsequently adopted.)*

Eliminates geographic rating areas used to calculate the premium for small employer health insurance. Makes conforming amendments.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** 10-16-102 (10) (b) (II) and (18), Colorado Revised

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

1 Statutes, are amended to read:

2 **10-16-102. Definitions.** As used in this article, unless the context  
3 otherwise requires:

4 (10) (b) "Case characteristics" are limited to the following  
5 demographic characteristics:

6 (II) ~~Geographic location of the policyholder as determined by rule~~  
7 ~~of the commissioner pursuant to section 10-16-104.7;~~

8 (18) "Established geographic service area" means the entire state  
9 of Colorado. ~~or, for plans that do not cover the entire state, any county~~  
10 ~~within which the carrier is authorized to have arrangements established~~  
11 ~~with providers to provide services.~~

12 **SECTION 2.** 10-16-105 (8) (e) and (8) (f) (II), Colorado Revised  
13 Statutes, are amended to read:

14 **10-16-105. Small group sickness and accident insurance -**  
15 **guaranteed issue - mandated provisions for basic and standard health**  
16 **benefit plans.** (8) (e) The small employer carrier shall not use case  
17 characteristics, other than age ~~geographic area~~, and family composition,  
18 nor shall it use any other rating factors other than actual claims  
19 experience on that small employer carrier's health benefit plan, industry,  
20 class of business, and plan design without prior approval of the  
21 commissioner, except as provided in subparagraph (I) of paragraph (a) of  
22 this subsection (8).

23 (f) The commissioner may establish rules to implement the  
24 provisions of this subsection (8) and to assure that rating practices used  
25 by small employer carriers are consistent with the purposes of this  
26 subsection (8), including rules that:

27 (II) ~~Prescribe the manner in which case characteristics that are~~

1 consistent with section 10-16-104.7 may be used by small employer  
2 carriers.

3 **SECTION 3. Repeal.** 10-16-104.9, Colorado Revised Statutes,  
4 is repealed as follows:

5 **10-16-104.9. Geographic areas for small employers.** ~~(1) The~~  
6 ~~commissioner shall promulgate a rule concerning geographic case~~  
7 ~~characteristics, which may include metropolitan statistical areas for small~~  
8 ~~employers. In promulgating such rule, the commissioner shall take~~  
9 ~~testimony from all interested parties, including, but not limited to,~~  
10 ~~consumer advocates and consumers, insurers, health care providers, the~~  
11 ~~state demographer, and producers. The rule shall include, without~~  
12 ~~limitation, the following features:~~

13 (a) ~~If the rule establishes separate geographic areas, in rate filings~~  
14 ~~to the commissioner, a carrier shall be required to show that rates reflect~~  
15 ~~a relativity to rates for other areas in the state and that rates and~~  
16 ~~relativities are not excessive, inadequate, or unfairly discriminatory in~~  
17 ~~such geographic areas;~~

18 (b) ~~The rule shall contain a determination of the appropriate~~  
19 ~~population base for statistical reliability in determining geographic areas~~  
20 ~~or metropolitan statistical areas;~~

21 (c) ~~(I) The rule shall provide justifications of why any separate~~  
22 ~~geographic areas, which may include metropolitan statistical areas, serve~~  
23 ~~the public interest in regard to ensuring that premium rates for different~~  
24 ~~geographic areas of the state are not excessive, mandatory, or unfairly~~  
25 ~~discriminatory;~~

26 (H) ~~If the commissioner determines that metropolitan statistical~~  
27 ~~areas are no longer the best method for addressing geographic case~~

1 ~~characteristics, the commissioner shall provide detailed justifications~~  
2 ~~concerning the separate geographic areas, in connection with which the~~  
3 ~~commissioner shall make public the impact the geographic case~~  
4 ~~characteristics may have on insurance premiums for the separate~~  
5 ~~geographic areas; and~~

6 (d) ~~In adopting such rule, the commissioner may consider the cost~~  
7 ~~of health care in a geographic area, experience of health care of any~~  
8 ~~separate geographic area, and information including actuarial opinions or~~  
9 ~~certifications and set loss ratios for loss ratio guarantees submitted by~~  
10 ~~small employer carriers pursuant to section 10-16-107 (1). The cost of~~  
11 ~~health care and experience and the population that may be served may be~~  
12 ~~a consideration when determining whether separate geographic case~~  
13 ~~characteristics are necessary, but shall not be the sole factors of separate~~  
14 ~~geographic case characteristics, nor shall it compromise the public~~  
15 ~~interest of insureds and potential insureds of this state.~~

16 **SECTION 4. Effective date - applicability.** (1) This act shall  
17 take effect January 1, 2004.

18 (2) However, if a referendum petition is filed against this act or  
19 an item, section, or part of this act during the 90-day period after final  
20 adjournment of the general assembly that is allowed for submitting a  
21 referendum petition pursuant to article V, section 1 (3) of the state  
22 constitution, then the act, item, section, or part, shall not take effect  
23 unless approved by the people at a biennial regular general election and  
24 shall take effect on the date specified in subsection (1) or on the date of  
25 the official declaration of the vote thereon by proclamation of the  
26 governor, whichever is later.

1           (3) The provisions of this act shall apply to small group health  
2 insurance policies issued or renewed on or after the applicable effective  
3 date of this act.