

**Senate Bill 322 ... relating to: The definition of a group health benefit plan.**

<b>BILL SPONSORS</b>	Introduced by Senators <b>Kanavas, Darling, A. Lasee, Reynolds, Roessler, Schultz and Welch</b> ; Cosponsored by Representative <b>Gielow</b>
<b>BILL HISTORY</b>	Senate Bill 322 was introduced on 11/19/03 and referred to the Committee on Agriculture, Financial Institutions and Insurance A public hearing and executive session were held on 12/02/03. <b>The committee recommended SB 322 for passage on a vote, 3-2.</b>
<b>LRB ANALYSIS</b>	<b>Current Law:</b> Current law contains various requirements that apply to group health benefit plans or the insurers that issue group health benefit plans. For example, consistent with the federal Health Insurance Portability and Accountability Act, insurers that sell group health benefit plans to employers must comply with requirements related to preexisting conditions, enrollment periods, and contract renewals. Insurers that sell group health benefit plans to employers with between 2 and 50 employees are subject to certain marketing standards and to certain restrictions on premium rates that may be charged for those policies. <b>Current law</b> generally defines a group health benefit plan as a health benefit plan that is sold to or through an employer on behalf of a group that consists of at least two employees or individual health benefit plans covering eligible employees when three or more are sold to or through an employer. <b>Proposed Changes:</b> This bill redefines a group health benefit plan so that the requirements in current law will apply to a plan issued to or through an employer covering at least two of the employer's employees, and to health benefit plans issued to three or more employees of the same employer, only if the employer pays or reimburses the employees for all or a portion of the premiums.
<b>FISCAL EFFECT</b>	None
<b>SUPPORT</b>	<b>The following person/people appeared in favor of this bill:</b> (1) Dan Schwartz, WI Assc. Of Health Underwriters. (2) Josh Watson, Golden Rule Insurance. (3) J.P. Wieske, Council for Affordable Health Insurance. <b>The following person/people registered in favor of this bill:</b> (1) Sen. Alberta Darling. (2) Sen. Ted Kanavas. (3) Sen. Tom Reynolds. (4) Sen. Robert Welch. (5) R. J. Pirlot, WI Manufactures & Commerce. No one registered his or her support for the bill with the State Ethics Board, but did not testify or register at the public hearing. The following organization(s) registered their intention to lobby on SB 233 but did not take a position on the bill: (1) National Federation of Independent Business. (2) Wisconsin Association of Health Plans, (3) Wisconsin Medical Society. (4) Dean Health Systems.
<b>OPPOSITION</b>	<b>No one appeared in opposition to this bill.</b> <b>The following person/people registered in opposition to this bill:</b> (1) Joanne Ricca, WI State AFL-CIO.
<b>CONTACT</b>	<b>John O'Brien, Committee Clerk. 26 6-0703</b>
<b>DATE</b>	<b>December 4, 2003</b>

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: Seconded by:

AB 283,459 SB 320,322 Clearinghouse Rule
AJR 52 SJR
AR SR Other

A/S Amdt
A/S Amdt to A/S Amdt
A/S Sub Amdt
A/S Amdt to A/S Sub Amdt
A/S Amdt to A/S Amdt to A/S Sub Amdt

- Be recommended for:
Passage Adoption Confirmation Concurrence Indefinite Postponement
Introduction Rejection Tabling Nonconcurrence

Table with 4 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, Senator Julie Lassa.

Totals:

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_

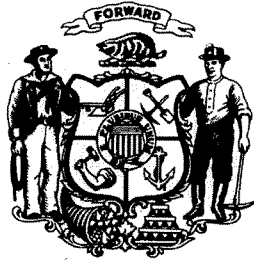
AB \_\_\_\_\_ SB 322 Clearinghouse Rule \_\_\_\_\_
AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_
AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

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A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_
A/S Sub Amdt \_\_\_\_\_
A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_
A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

- Be recommended for:
[checked] Passage [ ] Adoption [ ] Confirmation [ ] Concurrence [ ] Indefinite Postponement
[ ] Introduction [ ] Rejection [ ] Tabling [ ] Nonconcurrence

Table with 5 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, Senator Julie Lassa.

Totals: \_\_\_\_\_



**Senate Committee on Agriculture, Financial Institutions  
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882  
(608) 266-0703

**Senator Dale W. Schultz, Chairman**  
Committee Clerk. John O'Brien

Senate Bill 322

VOTE ON CONCURRENCE

	AYE	NAY	ABSENT
SENATOR SCHULTZ	✓		
SENATOR BROWN	✓		
SENATOR KEDZIE	✓		
SENATOR HANSEN		✓	
SENATOR LASSA		✓	

12-02-03

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: 12-02-03

Moved by: Kedzie

Seconded by: Brown

AB SB 322 Clearinghouse Rule
AJR SJR Appointment
AR SR Other

A/S Amdt
A/S Amdt to A/S Amdt
A/S Sub Amdt
A/S Amdt to A/S Sub Amdt
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- Be recommended for:
Passage Adoption Confirmation Concurrence Indefinite Postponement
Introduction Rejection Tabling Nonconcurrence

Table with 4 columns: Committee Member, Aye, No, Absent, Not Voting. Rows include Senator Dale Schultz, Senator Ronald Brown, Senator Neal Kedzie, Senator David Hansen, and Senator Julie Lassa.

Totals: 3 0

Testimony of Senator Ted Kanavas  
Senate Committee on Agriculture, Financial Institutions and Insurance  
SB 322 (List Bill)

Thank you Chairman Schultz and Committee members. This morning I am asking for your support of Senate Bill 322 which will allow a small employer to payroll deduct a health insurance premium for an employee who has purchased an individual health benefit plan directly from a private health insurance provider.

The employer may not pay for or contribute to any part the premium because the employee is the owner of the policy. The employer merely facilitates the payment.

**Why do we need to do this?**

Currently the Wisconsin's Office of the Commissioner of Insurance has interpreted our statutes to prohibit employers from having anything to do with the payment of a premium for an individual health insurance policy. And from my perspective this is a policy that should be changed. I believe we should do everything possible to make it easier and more cost effective to provide health insurance for individuals who are not currently covered under a group health insurance policy.

**There are several reasons to adopt the provisions of SB 322 as a legal insurance billing arrangement.**

**SB 322 provides a convenient payment method for employees.** Instead of an employee writing and mailing a check each month for his or her health care premium it is automatically taken care of by the employer.

**The employee owns their own plan so if they decide to change employers they save themselves the hassle of changing coverage or worrying when COBRA will run out.** This is especially important if an employee is part time, temporary or seasonally employed.

**There are tax advantages associated with a payroll deduction.** An employer may choose to payroll deduct the employee's premium pre-tax if the employer were to set up a Section 125 Cafeteria Plan.

**If an employer cannot pay for small group health coverage, they will likely never qualify for small employer group status.** The current policy of prohibiting list bill is hurting both small employers and their employees because employers who cannot afford to pay for small group coverage are prohibited from any participation in helping their employees acquire health insurance. The current policy requires that small employers must either provide group coverage or nothing.

**Common concerns with SB 322**

**List bill will undermine the small group market.** There is no evidence that suggests that, by adopting list bill as a policy, small employers will provide less health care coverage. On the contrary, list bill will provide a tool for small employers to use to help their employees purchase health care plans.

Again, I would like to thank the committee for their time and I ask for your support of SB 322.

Hello, My name is J.P. Wieske and I represent the Council for Affordable Health Insurance. We are a research and advocacy association of insurance carriers active in the individual, small group, MSA, and senior markets. CAHI's membership includes health insurance companies, small businesses, physicians, actuaries and insurance brokers. Since 1992, CAHI has been an advocate for market-oriented solutions such as MSA's to help fix the problems in America's health care system.

CAHI strongly supports SB 322. While the bill appears to change the definition of group insurance, what it really does is allow employees the option of participating in a insurance plan without the hassles of finding an agent or sending a monthly premium check. Let me begin by explaining list billing as a process.

Health insurance agents, as you know, often seek to sell health insurance to a variety of small, and large groups. Occasionally, they run across a group that is not currently offering health insurance to their employees. Perhaps the company is just starting out and is struggling financially. Perhaps the owner is just not interested in providing health insurance right now. Perhaps the employer is unwilling to meet his minimum contribution of 50% of the lowest cost plan, or maybe most of the other employees are already covered under their spousal plan.

Whatever the reason, these employees may fall through the cracks. By providing a plan that is not sponsored by the workplace, but rather is facilitated by the workplace, we hope to find at least some of these employees. Here is how the process works:

1. An agent approaches a group, and finds they are not currently offering health insurance coverage and have no interest in doing so.
2. The agent convinces the employer to deduct the health insurance premiums from the wages of any employee who agrees to participate
3. The agent presents all plan options to the employees and each individual chooses their coverage and fills out an individual application
4. Each application is reviewed as a separate individual case, and underwritten by the health insurer. However, the cases are affiliated for billing purposes.
5. Each month the employer remits a single check for all participants. The employer is NOT allowed to provide any of the premium. The premium is split appropriately between all the affiliated individual policies.

A couple of important points:

- Since the individual owns the insurance policy it is portable and will not be terminated upon leaving the job.
- These are individual policies and are sold as such.
- HIPAA and other laws require employers to offer coverage to all employees and require all insurers to take all employees and guarantee issue plans to all small employers
- Employers are barred from any participation in the plan beyond collecting premium from the individual's wages.
- The individual market is a small market comprising less than 7% of the overall health insurance market. List billing will not change this figure.

List billing merely provides an easier way for individuals to purchase coverage. It eliminates some of the hassle for the employees. Employees will not have to find their own agent, pick their own company, and send a monthly check for premium.

Put quite simply, list billing takes some of the hassle out of buying insurance.

Finally, I think it is important to note that numerous states allow list billing, including Illinois, Indiana, Iowa, Kansas, North Dakota, and Ohio and that we have seen no detrimental effects on the group market or measurable increases in risk pool utilization.

In fact, we expect that list billing will help people get insured BEFORE they are sick and join the risk pool. We also believe that as businesses grow, many will consider moving from list billing into the small group market rather than moving from the small group market to list billing.

This concludes my remarks, and I will be happy to answer any questions you may have.