



JIM DOYLE
GOVERNOR
STATE OF WISCONSIN

April 14, 2006

TO THE HONORABLE MEMBERS OF THE SENATE:

I am vetoing Senate Bill 420. The bill changes the definition of a group health benefit plan in such a way that it will harm consumers. Under current law, a group health benefit plan is a group plan that is sold to two or more employees of an employer, or an individual policy sold to three or more employees of an employer. In both cases, numerous consumer protections apply. This bill changes the definition of a group health benefit plan by increasing, from three to nine, the number of individual health benefit plans that constitutes a group health benefit plan. This bill also changes the definition of "small employer insurer" so that an insurer that sells nine or more individual health benefit plans (rather than three or more as under current law) to a small employer is a small employer insurer.

By raising the threshold for group coverage under the individual market regulations until at least 9 employees sign up for coverage, the bill reduces consumer protections for employees of small employers. The bill also increases costs and limits insurance options for older and less healthy employees. The bill acknowledges this likely loss in coverage by requiring the Office of Commissioner of Insurance to measure the impact the bill has on increasing the number of Health Insurance Risk Sharing Plan (HIRSP) applicants and Medical Assistance recipients, who apply because they work for small employers who dropped coverage in favor of individual list billing.

Under this bill, many employees could be removed from small employer health insurance protections if employers decide to cease group coverage and facilitate the purchase of individual policies through employee payroll deductions. Consequently, these employees would no longer be covered by the protections currently available to small insurance plan participants. These protections include:

- Continuation and conversion rights, which permit persons who leave the group to acquire group health insurance for up to 18 months. While the individual may be asked to pay the premiums for a continuation policy, coverage under these policies is generally less expensive and offer better benefits than individual coverage. Once the conversion period is ended, the individual must then be offered a conversion policy, which is individual coverage.
- Portability, which permits an individual with prior group coverage to move to their next group, or in some cases, to the state high-risk pool without serving a

new pre-existing condition waiting period. Persons who do not exercise their portability rights within 63 days of losing group coverage lose this right.

- Guarantee issue for small group coverage, meaning that the insurer must accept all members of a group without excluding pre-existing health conditions. In the individual market, each policy is underwritten and insurers are permitted to both refuse coverage to those individuals who do not meet the insurer's underwriting standards and exclude coverage for pre-existing health conditions.
- Mandated benefits required for group plans. For example, required group plans benefits including for mental health and AODA treatment are not required benefits under individual policies.
- Limits on the rates that can be charged to employers with small group health insurance policies that do not apply in the individual market.

When employees are removed from group coverage they would then be forced to look at individual plans, including the state HIRSP program, for their insurance needs. Individual plans are often less affordable than group coverage and many may be unable to afford these individual plans. The likely result would be an increase in the number of uninsured individuals in the state.

While the bill was advertised as a way to decrease costs and improve access, it probably would have the opposite effect and result in higher costs and fewer insured individuals and families. Because I want to ensure that access to coverage is as broad as possible and that the consumer protections of small group insurance laws are available to as many people as possible, I am vetoing this bill.

Respectfully submitted,

JIM DOYLE
Governor