



Benefit Bulletin

Oregon HB 2002 Significant Changes Being Made to Small Employer Health Plans

Introduction

Effective January 1, 2008, Oregon House Bill 2002 changes the definition of “small employer” to include all employers with 2 to 50 eligible employees. Prior to this date, small employers had to be classified into one of two pools: 2 to 25 employees and 26 to 50 employees. The definition of employee remains the same as an individual who works, on average, 17.5 hours or more each week.

Besides the changes outlined below, the major impact of this legislation to small employers may very well be more on the financial side, and will commence on April 1, 2008 when each carrier’s insurance rates are modified to reflect this legislation. Some employers may experience an unusual – but appreciated – reduction in health care premiums. Others may experience a higher than normal premium increase. Some may see an increase that is similar to prior years. Regardless, it will be important to be prepared for whatever your plan may experience.

Legislative Changes

Following is a summary of the parts of HB 2002 and the legislative changes that are occurring.

Premium Rating Factors. HB 2002 allows insurance carriers to use a number of factors in developing rates for small employer health benefit plans. These factors include: ages of enrolled employees and dependents; level of employer premium contribution; level of employee participation; member tobacco use; utilization of wellness programs; and duration of uninterrupted coverage with the insurance carrier.

While not all of these factors may be utilized (as examples, only 1 carrier is utilizing tobacco use in their rates), utilizing the same factors for all small employers with 50 or few employees is expected to result in some unusual swings in premium. This is because, prior to 2008, employers with 2 to 25 employees were rated using different factors than employers with 26 to 50 employees. In addition, rates could be partially based on gender prior to 2008. In 2008, gender is no longer allowed as a premium rating factor.

Enrollment Policies. All small employers may continue to choose their own probationary period – or the period of time that a new employee must work before their benefits commence. However, this legislation requires that the probationary period not be longer than 90 days, and that the eligibility requirements be applied uniformly to all eligible employees.

Employment Classifications. The law permits insurance carriers to provide different benefit plans to different categories of employees – *if the categories are bona fide employment-based classifications.* For small employer groups of 26 to 50 eligible employees, an employer is permitted to limit coverage to a category of employees (i.e., management employees).

Determination of Number of Employees. To determine if an employer falls into the category regulated by HB 2002, a count needs to be made of the number of employees, working 17.5 hours or more each week, over the preceding calendar year. It is not determined by the number of employees who are benefit eligible. Nor is it determined by the current number of employees.

The regulations do not change the regulation that an employer must have 2 or more employees to qualify for a group insurance plan.

Oregon Standardized Group Profile Form. Beginning April 1, 2008, all insurance carriers will be required to use an Oregon Standardized Group Profile Form to determine if a group is a small employer subject to this new legislation. This form will be required for all new plans being written, and for all plans being renewed. Expect that the insurance broker assisting with your plan will request that you sign this form to either renew your plan, or to provide you with alternative quotes.

Additional Information

This benefit bulletin is intended as an overview of Oregon HB 2002. There will likely be additional questions that arise as you learn more about the upcoming legislative changes. For additional assistance pertaining to these proposed regulations, feel free to call Tompkins Benefit Group in Portland at 503.224.3040, in Bend at 541.749.9982 or tollfree at 866.423.4712. Email inquiries may be directed to info@tompkinsbenefit.com or through our website at www.tompkinsbenefit.com.