

## ★ WHO IS A "SMALL EMPLOYER"? ★

Colorado's small group health insurance laws apply to:

- **Employers with 2 - 50 employees.**  
Any employer with 2 - 50 employees who work 24 hours or more a week on a regular basis (including household employees); and
- **Business groups of one.**  
A business group of one includes both the sole employee of an employer and a self-employed individual who works 24 hours per week on a regular basis; has carried on significant business activity for at least one year before applying for coverage; and has either generated taxable income from their business or derived a substantial part of their income from the business.

## ★ KNOW YOUR RIGHTS ★

Colorado insurance law provides important consumer protections for small employers. Among the more important:

### ➡ GUARANTEE ISSUE

- Under most circumstances, a health insurer must sell you coverage under your choice of any of their small group health plans whenever you want such coverage. This applies to all employers with 2 - 50 employees. This is also true for business groups of one that can pass underwriting

requirements (i.e., do not have any current or recent health problems).

- Business groups of one that are not eligible for coverage under all of an insurer's small group health plans because they cannot pass underwriting, still have the right to be issued coverage under a Basic or Standard Health Benefit Plan during an annual open enrollment period. The annual open enrollment is for the 31 day period following the birthday of the person who qualifies as a business group of one. Business groups of one are also entitled to coverage within 31 days following any of the following events: exhaustion of federal COBRA or state continuation coverage; the date a person first meets the definition of a business group of one; or involuntary termination of other health insurance coverage.
- A carrier that sells you any of its health plans must offer to cover all eligible employees and dependents regardless of their health.
- Health carriers cannot exclude coverage of certain conditions for individual employees.

To obtain a premium rate comparison, which includes information on the Basic and Standard Health Benefit Plans, and a list of small group carriers, send a self-addressed business envelope stamped with 55 cents postage to:  
Health Information  
Colorado Division of Insurance  
1560 Broadway, Suite 850  
Denver, CO 80202

- The maximum period during which a health carrier can exclude coverage for a health condition that existed prior to the effective date of coverage is 6 months except that carriers must cover pregnancy from the first day a small group policy becomes effective.
- Carriers are required to give every person covered under a health plan "credit" for any pre-existing condition exclusion period already met under a prior plan if no more than 90 days have elapsed between coverages.

### ➡ SMALL GROUP RATES

- Carriers are strictly limited in the factors they may use in setting premiums for your group. The only allowable factors are plan design, business location, age, and family size of covered employees.
- If you receive a significant rate increase from your current carrier, in most cases you can simply shop the market and switch to a lower cost carrier, without penalty.
- Health carriers must explain in their sales and solicitation materials how they calculate premium rates. Upon request, they must also tell you about all the small group plans for which you are eligible and disclose the rates for all those plans.

### ➡ OTHER KEY PROTECTIONS

- Carriers must provide you with a Health Benefit Plan Description Form for any plan you may be interested in purchasing. The

form presents the benefits for all plans in a standardized format to make it easier for you to compare plans offered by the same carrier or by different carriers.

- In most cases, carriers are required to renew your coverage if you want it renewed.
- If you change health carriers, the new carrier must cover everyone who was insured under the old policy.
- Under most circumstances, health carriers must allow terminated employees and their dependents to continue coverage, at their own expense, on your group plan for up to 18 months or until they become eligible for other group insurance, whichever occurs first.
- Insured employees and dependents have the right to convert to an individual Standard or Basic Health Benefit Plan, at their own expense, once they are no longer eligible for coverage under your plan (e.g., they exhaust their continuation/COBRA coverage, or you stop offering a group plan).

## ★ QUESTIONS TO ASK ★

When shopping for insurance, you should make sure you are actually buying the coverage you want and can afford. Employers and employees should make a list of their needs to compare with actual policy provisions. Listed below are some key questions to ask when shopping for insurance.

## ⇒ COVERAGE

Ask about the nature and extent of coverage offered by different plans. Ask to see the health benefit plan description form or the actual language of the policy contract.

- What does the plan cover (scope of benefits)?
- What is not covered by the plan (exclusions)?
- Does the plan cover the treatments and services your employees want covered?
- Are any of the following sometimes excluded benefits covered and to what extent:
  - substance abuse, organ transplants, therapy benefits, prescription drugs, infertility counseling, durable medical equipment, chiropractic care? Others?

## ⇒ PREMIUMS

When comparing plans, compare benefits to find out why one plan is cheaper than another.

- Compare the types of plans, including indemnity, preferred provider, and HMO. How do benefit and reimbursement levels differ? Will rates increase as the group ages? How often can rates be changed?
- Compare deductible and copayment requirements. How much are the out-of-pocket maximums? What is the minimum amount you, as, the employer, must contribute (e.g., 50 % of the premium)? Is this acceptable?
- Compare lifetime benefit caps on coverage.

## ⇒ CLAIMS PAYMENTS

- What is the basis for paying claims under the policy? For example, if it is “usual and customary rates,” find out exactly what this means.
- If “pre-authorization” is required, what is involved?
- If the plan normally pays less than what your doctor charges, who makes up the difference?

## ⇒ PLAN RESTRICTIONS

- Are there restrictions on the use of providers and services under the plan? Is the provider network adequate in terms of the numbers, types, and locations of participating providers? Are your employees comfortable with these restrictions?
- Will the list of restrictions be available to each employee and regularly updated?

## ⇒ AFFORDABILITY

- What kind of coverage can you afford? How much coverage can your employees afford?
- How much lower would the cost of coverage be if you buy a health benefit plan with a higher deductible or higher copayments?

## ⇒ WORST CASE SCENARIO

- How much coverage would different plans provide under a worst case scenario? For example, what if someone requires \$100,000 in specialty care that only one very

expensive hospital can provide, or needs \$200 a month in prescription drugs, or has a sports injury that requires long-term physical therapy, or develops a costly chronic disease?

## ⇒ COST CONTAINMENT

Look at the cost containment features of different plans. Are any of the following cost containment programs included and are they acceptable?

- Prior authorization for referrals to specialists
- Separate deductible and out of pocket accumulations for in and out of network benefits.
- No coverage for the use of out of network providers.

## ⇒ CUSTOMER SERVICE

Find out as much as you can about insurance companies.

- Is this an established carrier?
- Has the company had an unusually high number of consumer complaints? Annual reports listing the complaint ratios of all insurers operating in Colorado are accessible through the DOI website at [www.dora.state.co.us/insurance](http://www.dora.state.co.us/insurance) under main menu/consumer/complaint ratios.
- What happens when you call the customer service phone number?
- If there’s a number you have to call to get authorization for certain kinds of care, how quickly is the phone answered when you do a test call?

# WHAT COLORADO SMALL EMPLOYERS SHOULD KNOW ABOUT HEALTH INSURANCE

## A GUIDE FOR THE SELF-EMPLOYED AND EMPLOYERS WITH 50 OR FEWER EMPLOYEES

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