Oregon
Theodore R. Kulongoski, Governor

Department of Consumer and Business Services
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January 15, 2009

The Honorable Peter Courtney, President of the Senate
The Honorable Dave Hunt, Speaker of the House
State Capitol, 900 Court Street NE
Salem, OR 97301

Re: House Bill 3321 (2007) - Report to the Legislature

Dear Mr. President and Mr. Speaker:

In 2007, the legislature enacted House Bill 3321 to exempt health benefit plans issued to a small employer group through an association health plan from the statutes governing small employer group plans, if the association plans meet standards for initial premiums, do not discriminate in membership based on enrollees' health status, and maintain high retention rates. The bill requires the Department of Consumer and Business Services (DCBS) to monitor association health plan data and report the findings to the legislature.

Association health plans offer members of the association who are often small employers access to group health insurance coverage. In order for an insurer to offer coverage through an association, the association itself must meet certain standards, and must have been formed for purposes other than obtaining insurance. The bill was intended to resolve issues related to how small group rules apply to association health plans. House Bill 3321 allows insurers writing association health plans to qualify for an exemption from the small employer rating laws if they meet certain access and retention standards aimed at preventing "cherry-picking" – in other words, providing less-expensive coverage only to the healthiest groups, leaving the less-healthy groups to buy coverage in the general market, which makes the general market less healthy and leads to increased rates over time.

As directed by HB 3321, DCBS is required to monitor association health plans to determine the degree to which the claims experience of non-retained association groups exceeds the claims experience of the association's member groups as a whole. Although the provisions of HB 3321 became effective July 1, 2007, in order to develop credible data for reporting purposes and because groups typically renew their coverage on an annual basis, the Department established requirements for insurers to capture this information beginning with calendar year 2008. Insurers will report data regarding the claims experience of the non-retained association groups and of the associations as a whole to DCBS no later than April 1, 2009. DCBS will issue a supplemental report with the 2008 results to the Legislature no later than June 1, 2009, and will additionally report to the 2011 and 2013 Legislatures. HB 3321 sunsets on January 2, 2014.

If you have questions or would like additional information, please feel free to contact me at 503-947-7872, or Acting Insurance Division Administrator Teresa Miller at 503-947-7200.

Sincerely,

Cory Streisinger
Director

cc: Members of the Oregon Legislative Assembly
Legislative Administration Committee