



# Illinois Insurance Facts

Illinois Department of Insurance

## Health Insurance for Small Employers

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*Note: This information was developed to provide consumers with general information and guidance about insurance coverages and laws. It is not intended to provide a formal, definitive description or interpretation of Department policy. For specific Department policy on any issue, regulated entities (insurance industry) and interested parties should contact the Department.*

Every small employer has unique health insurance needs. That's why it is important for you to make an informed decision about the health insurance coverage you choose for yourself and your employees.

This fact sheet provides small employers (those with 2-50 employees) information about shopping for group insurance.

### Shopping for Insurance

If you do not currently have insurance, the best way to begin shopping is to find a reputable insurance agent to assist you or contact other local small employers or business groups for recommendations.

If you already have insurance, but want to see if you can get better rates, and especially if you are anticipating a rate increase, it is usually a good idea to begin shopping 60 to 90 days before your policy's anniversary date. Typically insurers and HMOs give you 30 days prior notice of any change in your premiums. When an increase is received, many employers decide to shop for lower cost coverage. Unfortunately, this 30-day window does not always allow enough time to switch companies because of all the paperwork involved.

The best way to begin shopping for lower cost coverage is to contact the representative who sold you your existing plan. Many times, he or she has access to coverage through different insurance companies or HMOs and can do the shopping for you. Other sources that may be able to help you find another plan are other small employers or trade associations.

If you have access to a computer, an Internet search can lead you to websites that allow you to obtain quotes from several companies. Just be sure the insurance company is licensed to do business in Illinois before you buy the coverage. You can verify company licensure by calling the Office of Consumer Health Insurance at (877) 527-9431.

When applying for coverage, you will need to provide the representative with information about you and your employees. This information will likely include at least the following information:

- Current Employee Census – a listing of your employees, including their age, gender, marital status and any dependents to be covered;
- A copy of the summary of your current coverage;
- Disclosure of any significant current or recent health conditions.

The representative will then submit this information to one or more insurers or HMOs to determine the “proposed” standard premium. Because it is extremely expensive and time consuming for insurers and HMOs to underwrite a policy, they usually only give “proposed” rates to see if you are interested.

**Caution:** Many times the premiums quoted in the proposal are “preferred” rates based on a group of healthy people, and are not necessarily indicative of what the final premiums will be. If you accept the proposed rates, the representative will advise the insurance company or HMO. The insurance company or HMO will then do a more in-depth underwriting of your group. If the insurer or HMO finds any serious medical conditions in your group, or the nature or location of your business has changed, you can almost be assured that the rates which were initially quoted will be increased. They may even be higher than your existing rates. **For this reason, do not cancel existing coverage until you have a written offer containing final rates, from the insurer or HMO.**

### **Are There any Restrictions on Premium Rates?**

The Small Employer Health Insurance Rating Act (215 ILCS 93) was signed into law in 1999 to improve the “efficiency and fairness of the small group health insurance marketplace” by reducing the magnitude of increases charged to small employer groups when one or more of their members develop a costly medical condition. Costly medical conditions can cause small employers to increase the employees’ share of the premium costs, reduce health insurance coverage or drop health insurance coverage altogether. Reducing the magnitude of such premium increases benefits both the small employer and its employees (and their dependents).

To help control costs, the Act restricts the range of rates which can be charged to groups that have similar policy coverages and demographic, geographic, or other objective group characteristics. It also restricts the amount by which small group carriers can increase rates for a particular group due to its claims experience. Although **there are no specific numerical caps on premium rates or premium increases**, the overall effect of the Act is to compress the range of rates and rate increases that can be charged for all small employer groups of a particular class. For more information on this Act, see our fact sheet entitled, “[The Small Employer Health Insurance Rating Act.](#)”

### **Your HIPAA Rights**

The Illinois Health Insurance Portability and Accountability Act (HIPAA)(215 ILCS 97) establishes underwriting and portability requirements for policies issued to small employers. The Act requires insurers to guarantee the issuance of any policy sold in the small employer market to any small employer group in the state (i.e. each health insurance carrier that offers health insurance coverage in the small group market must accept every small employer in the state that applies for such coverage). Exceptions to this guarantee apply if you do not meet the definition of a small employer as defined by the Act, or if you do not meet the minimum participation requirements as established by the insurer or HMO.

In addition, if you are switching insurance carriers, HIPAA requires the new carrier to accept all of your eligible employees and reduce or eliminate any preexisting clause within the policy. Under HIPAA, a preexisting clause cannot exceed 12 months (18 months for a late enrollee). This time can be reduced or eliminated by the amount of time the employee was covered under previous

health insurance coverage (which qualifies as creditable coverage under HIPAA). This reduction or elimination of a preexisting clause is referred to as portability. Thus, if you had an employee who was not a late enrollee and who has satisfied the prior carrier's 12-month preexisting condition waiting period, the new carrier cannot impose a new waiting period. Similarly, if your employee only satisfied 5 months of the prior carrier's waiting period, the new carrier could only impose an additional 7-month waiting period.

**Note: If you have a gap in coverage of more than 63 days, the new carrier is allowed to impose the preexisting clause in the policy.**

Finally, except under specifically defined circumstances, an insurer or HMO cannot cancel your small group policy (guaranteed renewability). This guarantee may not apply if you do not meet the definition of a small employer as defined by the Act, or if you do not meet the minimum participation requirements as established by the insurer or HMO.

### **Remember . . .**

- Begin shopping for new coverage 2 to 3 months before your current coverage expires.
- Make sure all health conditions for everyone in your group are disclosed.
- Ask your representative a lot of questions about the terms and conditions of the policy, rate calculation, and benefits.
- Don't drop your existing coverage until you have a written offer containing a **final rate** from the new insurance company or HMO.

### **For More Information**

Call our Consumer Services Section at (312) 814-2420 or our Office of Consumer Health Insurance toll free at (877) 527-9431 or visit us on our website at <http://insurance.illinois.gov>

### **Related Topics**

The following Illinois Insurance Fact Sheets and associated Department of Insurance information may assist you in your decision-making and provide additional help in understanding Illinois group health insurance mandates:

[Consumer Complaint Ratios](#)  
[Maternity Benefits in Illinois](#)  
[Health Maintenance Organizations](#)  
[Insurance Coverage for Infertility Treatment](#)  
[Women's Health Care Issues](#)  
[Insurance Coverage for Newborn Children](#)  
[Facts about HIPAA – Preexisting Conditions](#)  
[Office of Consumer Health Insurance](#)  
[Small Employer Health Insurance Rating Act](#)