

NOTE

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Department of Business Regulation

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SMALL EMPLOYERS HEALTH INSURANCE AVAILABILITY

Documentation of Employee Eligibility

A small employer carrier is required to decline to issue or decline to renew coverage subject to the Small Employer Health Insurance Availability Act, R.I. Gen. Laws § 27-50-1 *et seq.*, (“the Act”) when an employer fails to provide a list of employees and/or fails to provide “appropriate supporting documentation.”

Failure to provide appropriate documentation of eligible employee status is not listed as a reason for non-renewal in R.I. Gen. Laws § 27-50-6 (a). However, a group that does not satisfy the definition of “Small employer” in R.I. Gen. Laws § 27-50-3(II) is not entitled to any of the benefits of the Act. It is incumbent upon the group to prove that it is a “Small employer” by providing documentation of eligible employee status. A group that does not do so is not entitled to any of the benefits of the Act; it is not entitled to delivery of a new small employer contract nor to renewal of an existing contract.

In support of the applicable sections of the Act, Regulation 82, Section 6, requires small employer carriers to obtain a list of eligible employees and dependents and to verify that information by obtaining appropriate supporting documentation, such as the W-2 Summary Wage and Tax Form. If a group fails to supply adequate supporting documentation, the carrier is required to presume that the group is not eligible for issuance or renewal of coverage as a small employer. Individuals whose small employer benefits are declined or non-renewed shall be offered conversion, continuation or individual coverage as required under other applicable laws and regulations.

The Act provides for Adjusted Community Rating of small employers in order to protect those employers from the wide fluctuation in rates that would otherwise result from rating very small employers based on each employer’s own claims experience. As with all group insurance, however, rates are developed on the assumption that people who are able to work enough hours per week to satisfy the statutory definition of “Eligible employee” have acceptable health status. Unless carriers assure that only eligible employers are allowed to have small employer

coverage, small employers will be required to pay higher rates in order to cover the cost of people who are not able to work.

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