

**THE INSURANCE CODE OF 1956 (EXCERPT)**  
**Act 218 of 1956**

**500.3705 Geographic areas; adjustment and determination of premiums; conditions; additional premium; small employer; rating factors.**

Sec. 3705. (1) For adjusting premiums for health benefit plans subject to this chapter, a carrier shall use the defined geographic areas established by the director and allowed under federal law.

(2) Premiums for a health benefit plan under this chapter are subject to the following:

(a) For a health maintenance organization, only industry, age, and group size may be used for determining the premiums within a geographic area for a small employer located in the geographic area. For a commercial carrier, only industry, age, group size, and health status may be used for determining the premiums within a geographic area for a small employer located in the geographic area.

(b) For a health benefit plan delivered, issued for delivery, or renewed in this state on or after January 1, 2014, the premiums charged during a rating period to small employers must be determined only by using the rating factors set forth in section 3474a.

(c) The premiums charged during a rating period by a health maintenance organization or commercial carrier for a health benefit plan in a geographic area to small employers located in the geographic area must not vary from the index rate for the health benefit plan by more than 45% of the index rate.

(d) Except as otherwise provided in this section, the percentage increase in the premiums charged to a small employer in a geographic area for a new rating period must not exceed the sum of the annual percentage adjustment in the geographic area's index rate for the health benefit plan and an adjustment under subdivision (a).

(a). The adjustment under subdivision (a) must not exceed 15% annually and must be adjusted pro rata for rating periods of less than 1 year. This subdivision does not prohibit an adjustment because of change in coverage.

(3) Beginning January 23, 2005, if a small employer was covered by a self-insured health benefit plan immediately preceding application for a health benefit plan subject to this chapter, a carrier may charge an additional premium of up to 33% above the premium in subsection (2)(b) for no more than 2 years.

(4) Health benefit plan options, number of family members covered, and Medicare eligibility may be used in establishing a small employer's premium.

(5) A small employer carrier shall apply all rating factors consistently with respect to all small employers in a geographic area. Except as otherwise provided in subsection (4), a small employer carrier shall bill a small employer group only with a composite rate and shall not bill so that 1 or more employees in a small employer group are charged a higher premium than another employee in the small employer group.

**History:** Add. 2003, Act 88, Eff. Jan. 23, 2004;—Am. 2013, Act 5, Imd. Eff. Mar. 18, 2013;—Am. 2016, Act 276, Imd. Eff. July 1, 2016.

**Popular name:** Act 218