



# Ratings 2014

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**KEEP  
CALM  
AND  
CARRY  
ON**

# Small Group Rating Changes under ACA

## What is Changing

### Member level rate development

- *ACA requires carriers to calculate premium at the member level.*
- *Pre-ACA most carriers calculated premium based on the enrollment tier and age of the subscriber.*
- *This will have a significant impact on premium for groups with member populations that do not follow the "averages"*
- ▶ *Census information will need to be provided at the member level*
- ▶ *Group premium will be the sum of the member premium.*
- ▶ *Children under the age of 21 limited to 3 per subscriber for rating. No premium charged for additional children under the age of 21.*

~ *No limit on the number of children that may be covered in one family.*

## What is staying the same

### Composite Billing:

- ▶ *HNE will continue to quote and bill composite (tiered) rates for small group employers.*
- ▶ *Rates set at the start of the policy period will be based on the members enrolled at the start of the policy period*
- ▶ *Enrollment changes - additions & terminations will not automatically require the calculation of new composite rates.*
- ▶ *Composite rates will be recalculated at the policy renewal.*

### The Definition of Small Group:

For 2014 the definition in the state of Massachusetts will continue to be based on the eligible employees.

- *Small group is defined as an employer with 50 or fewer employees that are eligible to enroll in the group medical plan.*

~ *In 2016 all states will be required to use the federal definition of less than 100 full time equivalent employees [FTE's]*

Customer Name salesquotes@hne.com Requested effective date \_\_\_\_\_  
 Address \_\_\_\_\_ Employees eligible for Coverage \_\_\_\_\_  
 Zip Code \_\_\_\_\_ Enrolled employees \_\_\_\_\_  
 Group Contact Information \_\_\_\_\_ Waivers for other coverage \_\_\_\_\_  
 Name \_\_\_\_\_ Employer contribution to Premium \_\_\_\_\_  
 Phone number \_\_\_\_\_  
 Email \_\_\_\_\_

All members must be included on the census  
 Employee / Subscriber identifier can be any alpha-numeric combination.  
 Each Employee / Subscriber identifier must be unique to that subscriber.  
 Enrollment tier will be determined by family composition of subscriber and dependents.  
 All Small Group rates will be issued on a 4 tier basis.

4 Tier Rates

Relationship Codes EE Employee / Subscriber SP dependent SPOuse, CH dependent Child

**Example Census**

Employee / Subscriber Identifier	Relationship code EE - SP - CH	DOB (mm/dd/yy)	5-Digit ZIP Code
1	EE	4/4/1970	01144
	2 EE	5/14/1969	01040
	2 SP	7/31/1962	01040
	2 CH	8/15/2003	01040

No Contract type selection

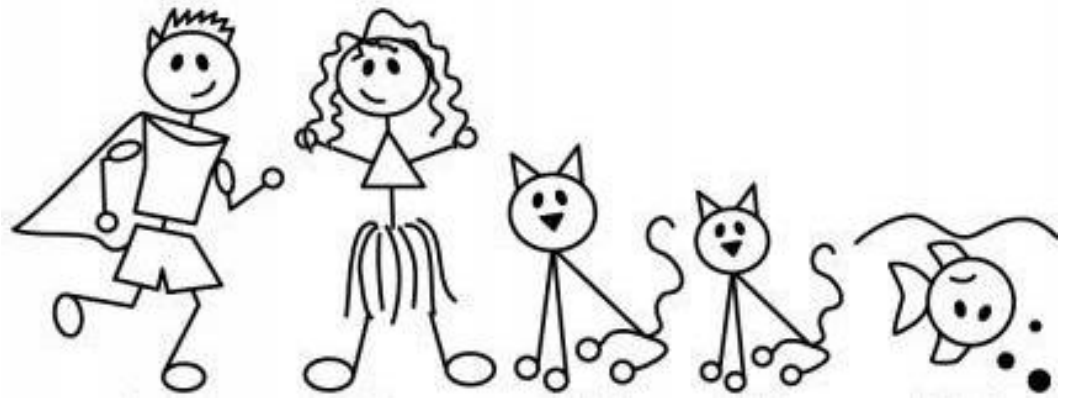
Employee / Subscriber Identifier	Relationship code EE - SP - CH	DOB (mm/dd/yy)	5-Digit ZIP Code
1234	EE	5/16/1980	
5678	EE	4/30/1975	
9101	EE	6/25/1990	
1213	EE	7/22/1981	
1213	SP	8/22/1978	
1213	CH	5/16/2006	
1213	CH	5/16/2006	
1213	EE	6/18/1967	
bill	CH	6/25/2000	
bill	CH	9/15/2003	
bill	EE	12/1/1988	
8956	EE	11/24/1972	
2578	EE	6/18/1966	
6354	SP	2/2/1968	
6354			

Enrollment Tier determined by Family Composition

In this example the customer would have

Employee Only	5
Employee Spouse	1
Employee Child(ren)	1
Family total subscribers	1
	8



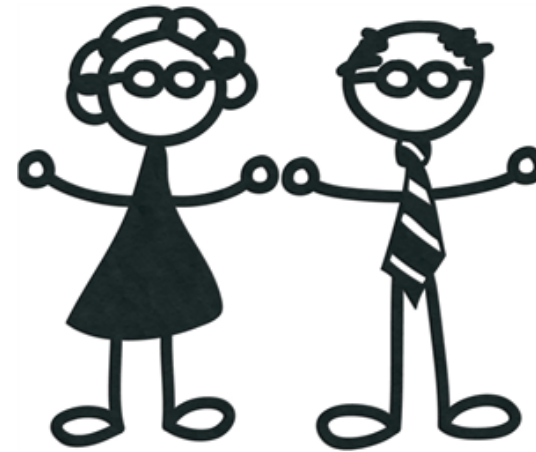


### Rating Assumptions Prior to ACA

Employee age 42	1.427	\$383.38
Spouse same age as employee	1.427	<u>\$383.38</u>
<i>Premium before ACA</i>		<b>\$766.76</b>

### Actual Family Members

Employee age 42	1.427	\$383.38
Spouse age 35	1.352	<u>\$363.23</u>
<i>Premium under ACA</i>		<b>\$746.61</b>
<i>Change in required premium</i>		<b>(\$20.15)</b>

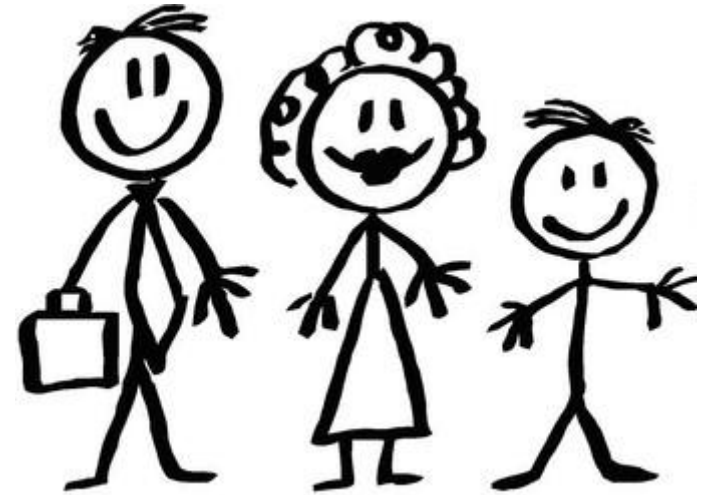


### Rating Assumptions Prior to ACA

Employee age 42	1.427	\$383.38
Spouse same age as employee	1.427	<u>\$383.38</u>
<i>Premium before ACA</i>		\$766.76

### Actual Family Members

Employee age 42	1.427	\$383.38
Spouse age 50	1.741	<u>\$467.74</u>
<i>Premium under ACA</i>		\$851.11
<i>Change in required premium</i>		<b>\$84.36</b>



### Rating Assumptions Prior to ACA

Employee age 42	1.427	\$383.38
Spouse same age as employee	1.427	\$383.38
Average of 2.01 Children	0.751	<u>\$405.54</u>
<i>Premium before ACA</i>		\$1,172.30

### Actual Family Members

Employee age 42	1.427	\$383.38
Spouse age 50	1.741	\$467.74
1 Child Age 6	0.751	<u>\$201.76</u>
<i>Premium under ACA</i>		\$1,052.88
<i>Change in required premium</i>		<b>(\$119.42)</b>



Rating Assumptions Prior to ACA

Employee age 42	1.427	\$383.38
Spouse same age as employee	1.427	\$383.38
Average of 2.01 Children	0.751	\$405.54
<i>Premium before ACA</i>		<b>\$1,172.30</b>

Actual Family Members

Employee age 42	1.427	\$383.38	
Spouse age 50	1.741	\$467.74	
Child age 23	1.183	\$317.82	
Child age 19	0.751	\$201.76	
Child age 17	0.751	\$201.76	
Child age 5	0.751	\$201.76	
Child age 5	0.751	\$0.00	3rd child under 21
<i>Premium under ACA</i>		<b>\$1,774.23</b>	

*Change in required premium* **\$601.93**



# More Small Group Rating changes under ACA

## ACA requires that all carriers use the same age scale

- The age scale is set by the Massachusetts DOI with a 2-1 band.
- 2-1 rate band set at the member level, not the group level.
- Results in more uniform rating between carriers.
  - Relative rate changes (increases and decreases) are likely to be consistent among carriers
- The new age scale is NOT set to an average 1.0. This change may make it difficult for customers to understand their demographic score

## Elimination of the Massachusetts age based rate change bumper rules. (15% cap on age factor changes)

## Transitional rating factors allowed ONLY in Massachusetts for 2014 and 2015 policy years.

MA only: Industry, Participation, Group size, discounts for intermediary and small group purchasing cooperatives.

National allowable rate factors: Age, Enrollment tier, Smoking status (not allowed in MA), and Benefit plan design.

## All small group customers renewed on a 4 tier rate basis :

Composite billing will be 4 tier only

Employee only, Employee & Spouse, Employee & Child(ren), Family.

# What Else is Changing?

## Additional Taxes required under ACA

- *Transitional Reinsurance fee.*
  - *Assessed at \$5.25 per member per month for 2014.*
  - *Estimated at \$3.15 per member per month for 2015.*
- *PCORI - Patient centered outcome research institute, assessed at \$2.00 per member per year through October 1, 2019.*
- *Health Insurer Tax - estimated at a premium increase of 0.75% for HMO plans and 2.3% for PPO plans*

## Changes in benefit plans and additional benefits required under ACA

- **All Essential Health Benefits must be covered**
- *All Essential Health Benefits must accumulate toward the out of pocket maximum*
- *Pediatric dental benefits and fitness benefits required.*
- *Benefit plans for small group customers must have an actuarial value (AV) that fits within an ACA metallic tier level .*
- *Customers can no longer choose from multiple Rx options with their medical plan.*

**AV = percentage of total average costs for covered benefits that a plan will cover**

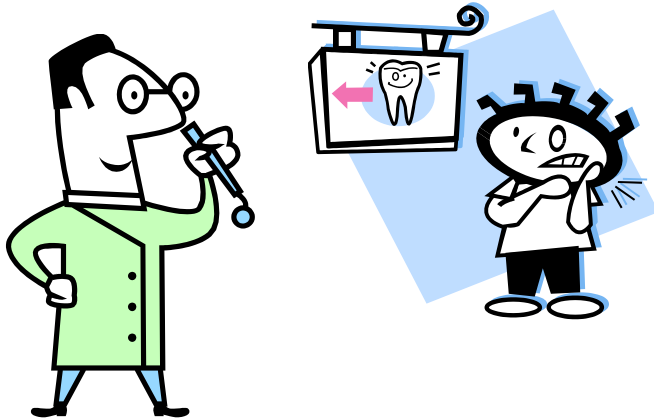
# Dental Benefits

## Current

### Pediatric Dental Benefit

- **Covered to age 12**
- **Diagnostic** Oral Exam ◊ Comprehensive Exam ◊ Bitewing x-rays ◊ Complete x-ray series and panoramic film ◊ Single x-rays
- **Preventive** Cleaning ◊ Fluoride treatment

Still Available for Large Group Customers



## NEW

### Small Group ACA mandated Benefit

- **Covered to age 19**
- **Diagnostic** Oral Exam ◊ Comprehensive Exam ◊ Bitewing x-rays ◊ Complete x-ray series and panoramic film ◊ Single x-rays
- **Preventive** Cleaning ◊ Fluoride treatment ◊ Sealants Space maintainers
- **Minor Restorative** Amalgam (silver) fillings ◊ Composite (white) fillings ◊ Rebasement or relining of partial or complete dentures ◊ Recementing crowns and onlays
- **Major Restorative** Crowns (over natural teeth when teeth cannot be restored with regular fillings).
- **Endodontics** Root canal therapy on permanent teeth ◊ Vital pulpotomy ◊ Apicoectomy
- **Periodontics** Root planing and scaling
- **Prosthodontics** Partial and complete dentures
- **Extractions and Oral Surgery** Simple extractions not requiring surgery ◊ Surgical extractions and other routine oral surgery when not covered by a patient's medical plan
- **Orthodontics** Medically necessary braces and related services
- **Other Services** Palliative treatment (minor procedures necessary to relieve acute pain) ◊ General anesthesia or intravenous (I.V.) sedation

# Fitness Benefits

## Current Fitness program



## ACA required fitness benefit

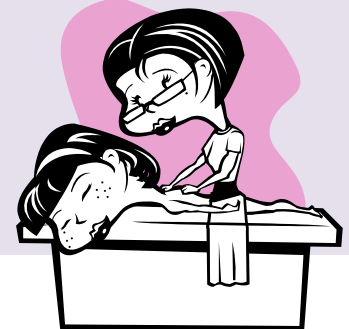
Reimbursement of \$150 per family per Calendar year for

- Qualifying fitness club membership
- Weight Watchers®
- Personal trainer fees
- Aerobic/wellness classes
- School and town sports registration fees for

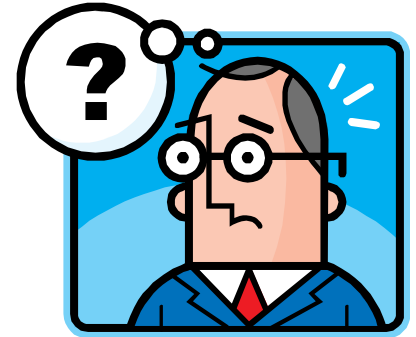


Must be “equivalent” to the benchmark plan. Considered an Essential Health Benefit with no annual dollar limit allowed

- ▶ Addition of 3 Massage Therapy sessions or 3 Acupuncture visits.



# What about Large Group?



## Small Group

- Must cover essential health benefits, including Pediatric Dental benefits and Fitness benefits that match the “benchmark” plan.
- Plan must fit into a metallic tier.
- Platinum 88%-92% AV
- Gold 78% – 82% AV
- Silver 68% - 72%
- Bronze 58% to 62%
- Subject to Transitional Reinsurance Fee, PCORi, and HIT.

## Large group

- No requirement to cover essential Health Benefits, however if they are covered they can not be subject to \$ limits or lifetime maximums.
- Plans not restricted to a specific AV value, but must have an AV  $\geq$  60% to satisfy minimum value requirements.
- Mandate to provide affordable essential health coverage to full time employees, or subject to IRS penalties.
- Subject to Transitional Reinsurance Fee, PCORi, and HIT if fully insured.

**AV = percentage of total average costs for covered benefits that a plan will cover**

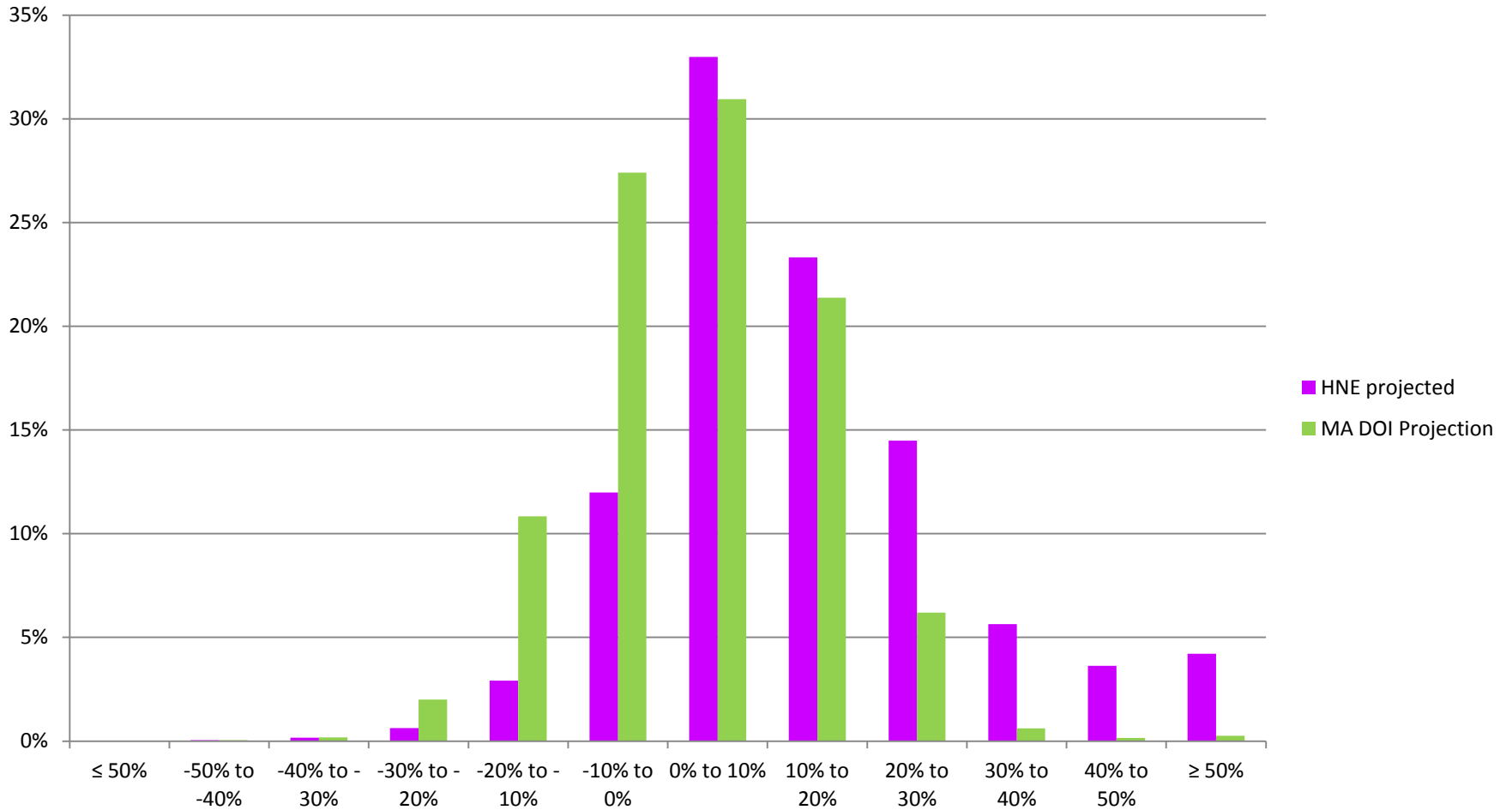
# We've Already Done the Work...

## Renewal Plan Mapping

2013 Plan Name	Renewal plan name	Overview of Plan Benefits
HNE Health Max / Option 3	HNE Health Max - \$15/\$30/\$50 RX	Deductible None    PCP Copay \$0 for preventive, \$10 for all other visits    Spec Copay \$10 ER \$100    High-Cost Imaging \$0    Lab \$0    Out Patient Surgery \$0    IP Hospital ~SNF \$0 Out of Pocket Max \$1000 / \$3,000
HNE Health		
HNE Health Plus / Option 3.5	HNE Choice Plus - \$15/\$30/\$50 RX	Deductible None    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$40 ER \$100    High-Cost Imaging \$75    Lab \$0    Out Patient Surgery \$0    IP Hospital ~SNF \$500 Out of Pocket Max \$2,000 / \$4,000
HNE Principle / Option 4		
HNE Complete Max / Option 5		
HNE Complete Plus / Option 6		
HNE Choice Plus / Option 7M		
HNE Focus / Option 8H	HNE Focus - \$15/\$30/\$50 RX	Deductible None    PCP Copay \$0 for preventive, \$25 for all other visits    Spec Copay \$25 ER \$150    High-Cost Imaging \$150    Lab \$0    Out Patient Surgery \$0    IP Hospital ~SNF \$1,000 Out of Pocket Max \$2,000 / \$4,000
HNE Wise Max 10/25/45 / HDHP-H	HNE Wise Max - \$10/\$45/\$75 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$0 for all other visits after deductible Spec Copay \$0 after ded    ER \$0 after ded    High-Cost Imaging \$0 after ded    Lab \$0 Out Patient Surgery \$0 after ded    IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Wise Plus 10/25/45 / HDHP-M	HNE Wise Plus - \$15/\$30/\$50 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$25 for all other visits    Spec Copay \$25 after ded ER \$100 after ded    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$500 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Essential 500	HNE Essential 500 - \$15/\$50/\$75 RX	Deductible \$500 / \$1,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Essential Max / Option 9H	HNE Essential 1000 - \$15/\$30/\$50 RX	Deductible \$1,000 / \$2,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Essential 1000		
HNE Essential 1500	HNE Essential 1500 - \$15/\$30/\$50 RX	Deductible \$1,500 / \$3,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$100 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Essential 2000	HNE Essential 2000 - \$15/\$30/\$50 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$0 for all other visits after deductible Spec Copay \$0 after ded    ER \$0 after ded    High-Cost Imaging \$0 after ded    Lab \$0 Out Patient Surgery \$0 after ded    IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Wise Max 10/30/60 / HDHP-H	HNE Wise Max - \$15/\$50/\$75 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$25 for all other visits    Spec Copay \$25 after ded ER \$100 after ded    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$500 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Wise Plus 10/30/60 / HDHP-M	HNE Wise Plus - \$15/\$50/\$75 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$0 for all other visits after deductible Spec Copay \$0 after ded    ER \$0 after ded    High-Cost Imaging \$0 after ded    Lab \$0 Out Patient Surgery \$0 after ded    IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Wise PPO National 10/25/45 / HDHP-PPO	HNE Wise PPO - National \$10/\$45/\$75 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$0 for all other visits after deductible Spec Copay \$0 after ded    ER \$0 after ded    High-Cost Imaging \$0 after ded    Lab \$0 Out Patient Surgery \$0 after ded    IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE Wise PPO National 10/30/60 / HDHP-PPO	HNE Wise PPO - National - \$15/\$50/\$75 RX	Deductible \$500 / \$1,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE PPO Premium	HNE PPO Essential 500 - National \$15/\$50/\$75 RX	Deductible \$1,000 / \$2,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$75 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE PPO Max		
HNE PPO Essential 500		
HNE PPO Low	HNE PPO Essential 1000 - National - \$15/\$30/\$50 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$100 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000
HNE PPO Essential 1000		
HNE PPO Essential 1000		
HNE PPO Essential 1500		
HNE PPO Essential 2000	HNE PPO Essential 2000 - National - \$15/\$30/\$50 RX	Deductible \$2,000 / \$4,000    PCP Copay \$0 for preventive, \$20 for all other visits    Spec Copay \$20 ER \$150    High-Cost Imaging \$100 after ded    Lab \$0    Out Patient Surgery \$0 after ded IP Hospital ~SNF \$0 after ded    Out of Pocket Max \$5,000 / \$10,000



# Distribution of Renewal actions projected for Q1 2014



Source: Oliver Wyman, Report to the Massachusetts Division of Insurance, The Projected Impact on Health Insurance Premiums in the Merged Individual/Small Group Market with the Implementation of Federal Rating Rules that Restrict the use of Massachusetts Rating Factors, May 2013



## HNE Small Group Renewal Exhibits

*What your small group customers  
can expect to see for 2014*

- ✓ Rate development detail added to the small group renewal packages
- ✓ New rate exhibits – Portrait page orientation – excel format
- ✓ New Census form – elimination of enrollment tier selection
- ✓ Subscriber – dependent relationship and date of birth required for all members (even kids)

# Renewal Calculation Detail

Base Rate

Captures the Impact of trend in the rate calculation

ACA Taxes & Fees

The % of the new rate attributable to ACA fee & tax changes

Additional Mandated Benefits

Captures the impact of adding pediatric dental coverage, and other benefit enhancements such as massage therapy and acupuncture wellness benefits

ACA Metallic Tier Migration

Captures the difference between the customers current plan and the renewal plan

Member Level Rating

Captures the impact of using the actual family size instead of an assumed average contract size  
Also reflects the impact of the new 2:1 age scale

Change in Group Size

Based on the number of subscribers at the prior renewal compared to the current number of subscribers

Change is Age Factor

Based on the member age distribution at the prior renewal and the current member age distribution

Prior year membership age factor is calculated on the 2014 2:1 age scale to capture actual changes in the group membership.



Customer Name  
Renewal Date

Acme Coyote Supplies  
1/1/2014

Eligible Employees  
Enrolled Employees  
Members  
Benefit Package Count

8  
2  
7  
1

### Renewal Rate Detail

Benefit Package	Current Plan Code	Current Plan Code	Current Plan Code	Current Plan Code
Renewal Plan Name	Renewal Plan Code	Renewal Plan Code	Renewal Plan Code	Renewal Plan Code
HMO HNE Essential Max / Option 9H HNE Essential 1000 - \$15/\$30/\$50 RX				HU 1G
<b>Rate Information</b>				
	Employee	Employee & Spouse	Employee & Child(ren)	Family
Current Rates	\$461.33	\$1,303.67	\$1,303.67	\$1,303.67
Renewal Rates	\$470.74	\$1,359.73	\$1,359.73	\$1,359.73

#### Renewal Calculation Detail

Base Rate	4.20%
ACA Taxes & Fees*	2.10%
Additional Mandated benefits**	1.00%
ACA Metallic Tier migration	-2.00%
Member level rating***	-1.00%
Change in Group Size	0.00%
Change in Age Factor	0.00%
Total Rate Change	4.30%

Estimated Group Size used at 2013 rating  
Subscribers  
Estimated Members  
Est. Member to Subscriber Ratio

2  
3,293,176.06  
1,647

Subscribers  
Members  
Member to Subscriber Ratio

Actual Group Size  
2  
7  
3,500

Actual membership is 51.95% higher than the average Member : Subscriber ratio.

\* The Affordable Care Act (ACA) includes several new taxes and fees including:  
\$3.25 per member per month for Federal Reinsurance Risk Pool  
\$2.00 per member per year to fund the Patient Centered Outcome Research Institute.  
Health insurer tax, that can vary from an estimated 0.75% to 1.3%

\*\* Additional Mandated benefits include comprehensive pediatric dental coverage and the application of all medical and pharmacy copays to the member out of pocket maximum.

\*\*\* The Affordable Care act requires that small group rates are calculated based on each customers actual enrolled members.  
Prior to the implementation of this ACA rating requirement rates were calculated on the subscribers ages and enrollment tiers.

This report is intended to assist in understanding the factors that impact the renewal rate calculation.  
Rates shown are based on the enrolled members at the time of the renewal calculation.  
Final rates will be calculated on the actual enrolled member census at the policy effective date.



# Example Renewal Rate Exhibit

## HNE Essential 500 - \$15/\$50/\$75 RX

Deductible	\$500 / \$1,000
Primary Care office Visit	\$0 for preventive, \$20 for all other visits
Specialist office visit	\$20
Emergency Room <i>(waived if admitted directly from the ER)</i>	\$150
High Cost Diagnostic Imaging: CT Scans, MRI, PET scans	\$75 after deductible
Lab Work	\$0
Outpatient Surgery	\$0 after deductible
Hospital Admission	\$0 after deductible
Pharmacy Retail 30 Day Supply	\$15/\$50/\$75
Pharmacy Mail Order 90 Day Supply	\$30/\$100/\$225
Out of Pocket Maximum	\$5,000 / \$10,000

### Enrollment Assumptions

Total Subscribers	9	
Employee Only	3	\$318.91
Employee Spouse	1	\$637.82
Employee and Child(ren)	2	\$574.03
Family	3	\$956.72

**Monthly total premium based on assumed enrollment**

**\$5,612.78**

# Connector Rate Comparison

