

# Ratings 2014

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Broker Breakfast October 15, 2013



# **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 <u>for rating</u>. 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.

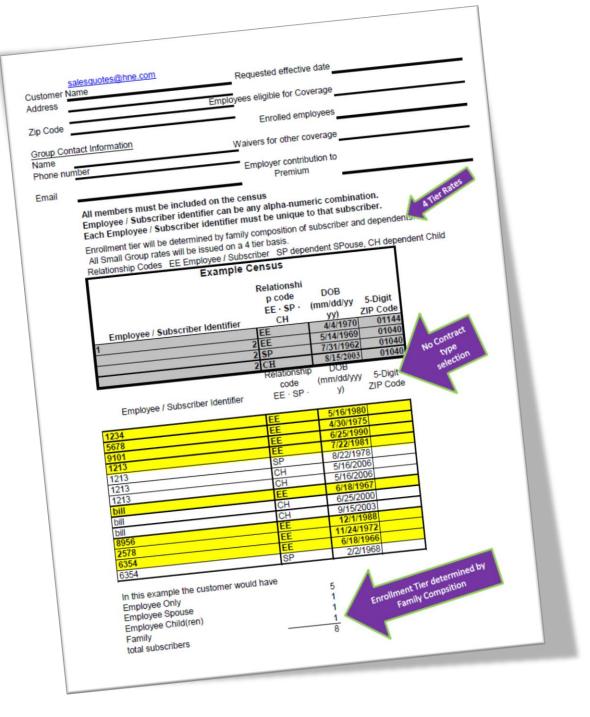
## What is staying the same

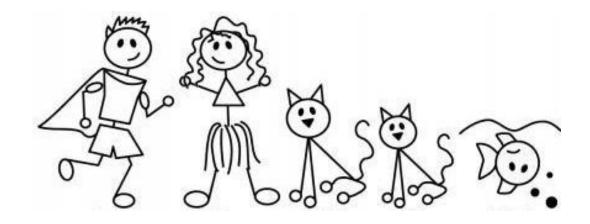
### Composite Billing:

- 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.

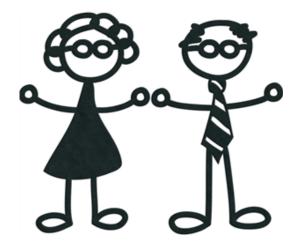
### The Definition of Small Group:

- 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]





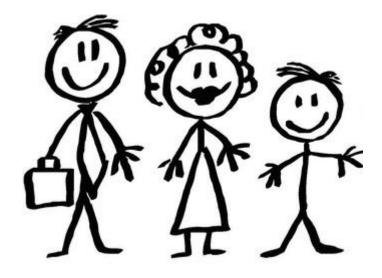
Rating Assumptions Prior to A	CA	Actual Family Members
Employee age 42 1.42	27 \$383.38	Employee age 42 1.427 \$383.38
Spouse same age as employee 1.42	.7 <u>\$383.38</u>	Spouse age 35 1.352 <u>\$363.23</u>
Premium before A	CA \$766.76	Premium under ACA \$746.61
		Change in required premium (\$20.15)



Rating Assumptions Pr	ior to ACA	
Employee age 42	1.427	\$383.38
Spouse same age as employee	1.427	\$383.38
Premium	before ACA	\$766.76

Actual Family I	Members
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Employee age 42	1.427	\$383.38
Spouse age 50	1.741	\$467.74
Premium	under ACA	\$851.11
Change in requ	ired premium	\$84.36



Actual Family Members

Employee age 42	1.427	\$383.38
Spouse age 50	1.741	\$467.74
1 Child Age 6	0.751	\$201.76
Premium un	der ACA	\$1,052.88

Change in required premium (\$119.42)

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
Premium before ACA	\$1,172.30

Rating Assumptions Prior to ACA



#### Rating Assumptions Prior to ACA

#### **Actual Family Members**

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
Premium bef	ore ACA	\$1,172.30

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

Premium under ACA \$1,774.23

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

#### <u>Covered to age 12</u>

- 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**

#### <u>Covered to age 19</u>

- **Diagnostic** Oral Exam ◊ Comprehensive Exam ◊ Bitewing xrays ◊ 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 & Rebasing 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  $\diamond$  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**

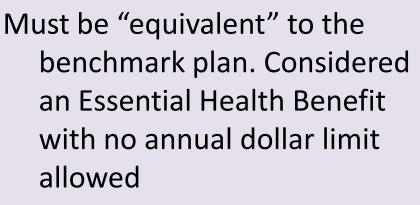
**Current Fitness program** 



## 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



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 ≥ 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.

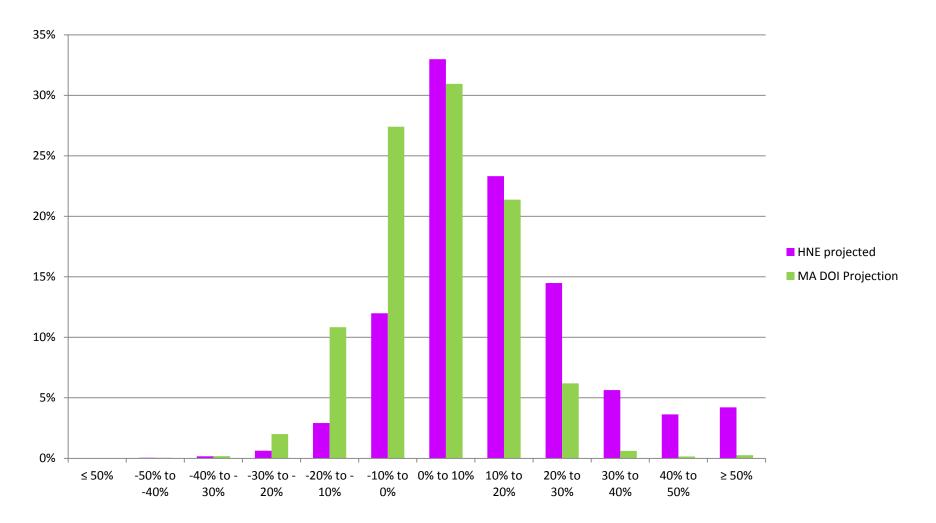
#### AV = percentage of total average costs for covered benefits that a plan will cover

We've Already Done the Work ...

## **Renewal Plan Mapping**

		Overview of Plan Benefits Deductible None [PCP Copary 50 for preventive, 510 for all other visits [ Spec Copary 510 Little-Cost Imaging 50 [ Lib 50 ] Cost Platient Surgery 50 ] [ IP Hospital -SRF 50 Little-Cost Imaging 50 ] Lib 50 [ Cost Platient Surgery 50 ] [ IP Hospital -SRF 50 Little-Cost Imaging 50 ] Lib 50 [ Cost Platient Surgery 50 ] [ IP Hospital -SRF 50 Little-Cost Imaging 50 ] Lib 50 [ Cost Platient Surgery 50 ] [ IP Hospital -SRF 50 Little-Cost Imaging 50 ] [ IP Hospital -SRF 50
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HNE Complete / Option 7H HNE Complete Plus / Option 7H		
HNE Complete Plus / Option 7M HNE Choice Plus / Option 7M		
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## 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.

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	nefits include comprehensive pedi t requires that small group rates a m of this ACA rating requirement m	tric dental coverage and	tomer actual enrolled men	bers.	
** Additional Mandated be	in annun ratet B	e calculated based on ea	ch customers ages and enrollmer	t tiers.	
Care St.	t requires that the	HAT WELL COLUMN			
Prior to the implementatio	nefits include compressurations to requires that small group rates a on of this ACA rating requirement in essist in understanding the factors the enrolled members at the tim	that impact the renewal	rate calculation.		
in internet to	assist in understanding the factors in the enrolled members at the time ted on the actual enrolled member	of the renewal calculation	n.		
This report is interded to extent shown are based of	assist in understanding the factor in the enrolled members at the time ted on the actual enrolled member	census at the policy effe	Child States		
	had on the octuar car and				
Final rates will be calcula					



## **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 (waived if admitted directly from the ER)		\$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**

