



Why 4 Tier Rates?

HNE has made the business decision to offer 4 tier rates to our small group customers, as part of our commitment to continue to provide composite billing with rates that do not change during the policy period when there are membership changes. We understand that the change from subscriber based rating to member based rating required under ACA will have the largest impact on our small group customers. Moving to a four tier rating structure will help minimize those impacts upon renewal.

How does it work?

Under ACA all health insurance providers are required to calculate the group premium based on the actual members enrolled in the group health plan. Membership changes during the year impact the distribution of premium differently across the rating tiers when a 2 or 3 tier rate structure is used.

| 4 Tier vs. 2 Tier Rate example: | | | | | | | |
|---|-------------|-------|------------|--------------|----|------------|-----------------|
| 4 Tier Rates | | | | 2 Tier Rates | | | |
| Enrollment | | Rates | | Enrollment | | Rates | |
| Enrollment when policy is issued | EE | 4 | \$230.95 | EE | 4 | \$230.95 | |
| | ES | 2 | \$461.90 | | | | |
| | EC | 1 | \$646.66 | | | | |
| | Family | 3 | \$692.85 | Family | 6 | \$608.17 | |
| | Subscribers | 10 | \$4,572.81 | Subscribers | 10 | \$4,572.82 | monthly premium |
| | Members | 25 | \$182.91 | Members | 25 | \$182.91 | pmpm |
| Enrollment change during year | | | | | | | |
| Add 3 Subscribers 1 single, 3 Family | | | | | | | |
| Enrollment | | Rates | | Enrollment | | Rates | |
| | EE | 5 | \$230.95 | EE | 5 | \$230.95 | |
| | ES | 2 | \$461.90 | | | | |
| | EC | 1 | \$646.66 | | | | |
| | Family | 6 | \$692.85 | Family | 9 | \$608.17 | |
| | Subscribers | 14 | \$6,882.31 | Subscribers | 14 | \$6,628.28 | monthly premium |
| | Members | 37 | \$186.01 | Members | 37 | \$179.14 | pmpm |
| At renewal, 5% increase in pmpm premium | | | | | | | |
| Enrollment | | Rates | | Enrollment | | Rates | |
| | EE | 5 | \$242.50 | EE | 5 | \$278.25 | 20.5% |
| | ES | 2 | \$485.00 | | | | |
| | EC | 1 | \$679.00 | | | | |
| | Family | 6 | \$727.50 | Family | 9 | \$648.36 | 6.6% |
| | Subscribers | 14 | \$7,226.50 | Subscribers | 14 | \$7,226.50 | monthly premium |
| | Members | 37 | \$195.31 | Members | 37 | \$195.31 | pmpm |
| Renewal Rate Change | | | | | | | |
| Renewal Rate Change | | | | | | | |
| Total premium is the same on both a 4 tier and 2 tier basis, however the 2 tier basis leads to "renewal premium shock" due to membership changes during the policy period | | | | | | | |

In this example, you can see that although the monthly renewal premium is the same on the 4 tier and 2 tier rates basis, the % change to the rates is dramatically different.

My customer has a 2 Tier rating basis now, how will the move to a 4 tier rating structure work?

Upon renewal, HNE will look at the family composition of each subscriber. Subscribers with no dependents will continue to be enrolled in the employee only tier. Subscribers with a dependent spouse and no child dependents will be moved to the Employee Spouse tier. Subscribers with one or more dependent children but no dependent spouse will be moved to the Employee + Child rate tier. Employees with both a spouse and one or more child dependents will remain in the family rate tier.

How will this impact the employee contribution to the premium?

Employers are still able to set the employee contributions at the level they feel best fits their needs, as long as they are meeting the minimum employer contribution level of 50% of the employee only premium. The employee contribution can be set as a flat dollar amount, or a % of the premium for each rate tier.