



COMMONWEALTH OF MASSACHUSETTS
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DIVISION OF INSURANCE

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HEALTH COVERAGE
Filing Guidance Notice 2013-K

TO: Health Insurance Carriers Submitting Rate Filings Subject to M.G.L. c. 176J

FROM: Kevin P. Beagan, Deputy Commissioner, Health Care Access Bureau
Kevin P. Beagan

DATE: June 11, 2013

RE: Submission of Material to Illustrate Changes to Rating Factors in Rate Filings for Rates to be Effective in 2014 and 2015

This Division of Insurance (“Division”) Filing Guidance Notice informs health insurance carriers (“Carriers”) regarding the submission of additional materials in rate filings required under M.G.L. c. 176J, § 6 for rates intended to be effective for coverage issued or renewed between January 1, 2014 and December 31, 2015.

According to 211 CMR 66.09(2)(a), “[e]very carrier, as a condition of doing business under M.G.L. c. 176J and 211 CMR 66.00, must file all changes to small group base premium rates and to small group rating factors electronically at least 90 days before their proposed effective dates.” Among the items to be included within a rate filing, carriers are to submit “information requested by the commissioner, including, but not limited to, any information requested by the commissioner on behalf of the National Association of Insurance Commissioners,” as specified in 211 CMR 66.09(3)(n).

As noted in Division Bulletin 2013-05, on April 5, 2013, the federal Center for Consumer Information and Insurance Oversight (“CCIIO”) granted Massachusetts permission to continue the use of certain state rating factor adjustments, industry, participation-rate, group size, intermediary, group purchasing cooperative, during a January 1, 2014 through December 31, 2015 transition period (“Transition Period”). The Division provided guidance in Bulletin 2013-05 regarding the calculation methodology that Carriers must use in deriving these factors during the Transition Period.

Carriers must submit to the Division all rating factors to be used in the merged individual/small group market, even if such factors are not changing from those factors currently in use, so that the Division may confirm that the submitted factors are consistent with state and federal market rules.

This submission shall be provided in a worksheet, which shall specifically identify all rating factors in effect as of July 1, 2013, and further explain how those factors are proposed to be applied during the Transition Period.

The following examples illustrate the level of detail the Division expects Carriers to include within filings for rating factors to be applied during the Transition Period:

Example 1: Carrier A used a group size factor ranging from 0.95 to 1.04 on July 1, 2013. Carrier A proposes to continue its group size factor in 2014 using transition rules.

According to section (3)(iii) of Bulletin 2013-05:

A Carrier may apply a group size rate adjustment factor in developing premiums for 2014. If a Carrier chooses to apply group size rate adjustment factors in the development of premiums for coverage that is issued or renewed in the period between January 1, 2014 and December 31, 2014, the Carrier may only apply a factor equal to sixty-seven hundredths of the variation from the midpoint of the range of group size rate adjustment factors that that the Carrier had in effect as of July 1, 2013.

For the purpose of this calculation, the Division would consider it acceptable for Carriers to calculate a weighted midpoint that is based on the relative number of membership in each of the groups as of July 1, 2013.

Carrier A should report the following:

Groups	7/1/2013 Factor	7/1/2013 Mbrship	Mbrship- Weighted Midpoint of Range	Δ from Midpoint	.67 of Δ from Midpoint	2014 Transition Factor
Individuals ("groups of 0")	1.04	500	0.990	0.050	0.034	1.02
Groups of 1 ("sole proprietors")	1.04	100	0.990	0.050	0.034	1.02
Groups of 2-5	1.00	200	0.990	0.010	0.007	1.00
Groups of 5-10	0.98	400	0.990	-0.010	-0.007	0.98
Groups of 11-50	0.95	700	0.990	-0.040	-0.027	0.96
		1,900				

Please note that if, as of July 1, 2013, Carriers applied rating factors at a decimal level that differs from the two-decimal level shown above, then the 2014 transition factor also should be calculated to round to the same number of decimal places as was applied as of July 1, 2013.

Example 2: Carrier B used an intermediary discount factor of 0.96 on July 1, 2013 for accounts enrolling through intermediaries. (Accounts enrolling outside the intermediary have a factor of 1.00.) Carrier B continued to apply an intermediary discount factor in 2014 using transition rules and wants to calculate the intermediary discount factor for 2015 using the transition rules.

According to section (5)(iv) of Bulletin 2013-05:

A Carrier may apply an intermediary rate adjustment factor in developing premiums for 2015. If a Carrier chooses to apply intermediary rate adjustment factors in the development of premiums for coverage that is issued or renewed in the period between January 1, 2015 and December 31, 2015, the Carrier may only apply a factor equal to thirty-three hundredths of the variation from the intermediary rate adjustment factor that the Carrier had in effect as of July 1, 2013 and the value of 1.00.

Intermediary	7/1/2013 Factor	Value of 1.00	Δ from 1.00	.33 of Δ From 1.00	2015 Transition Factor
Enrolling through intermediary	0.96	1.00	-0.040	-0.013	0.99
Not enrolling through intermediary	1.00	1.00	0.000	0.000	1.00

Please note that if, as of July 1, 2013, Carriers applied rating factors at a decimal level that differs from the two-decimal level shown above, then the 2015 transition factor also should be calculated to round to the same number of decimal places as was applied as of July 1, 2013.

If you have any questions about this Notice, please contact Kevin P. Beagan, Deputy Commissioner of the Health Care Access Bureau, at 617-521-7423 or Kevin.beagan@state.ma.us.