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LINDA RUTHARDT
COMMISSIONER

Bulletin No. 96-20

To: Commercial Health Insurers, Blue Cross and Blue Shield of Massachusetts (BCBSMA) and Health Maintenance Organizations (HMOs)

From: Commissioner Linda Ruthardt

Re: Health Insurance Rating Requirements for Small Groups

Date: October 17, 1996

St. 1996, c. 297 (Chapter 297), in part, amended M.G.L. c. 176J, which governs small group health insurance, to increase the size of small groups from a maximum of 25 eligible employees to 50 eligible employees and to eliminate gender as a factor in rating methods. In Bulletin No. 96-13, the Division noted that carriers could extend coverage until November 1, 1996 for group policies up for renewal between August 15, 1996 and October 31, 1996, if any such extension would allow a carrier to develop rates and policies to comply with Chapter 297.

It should be noted, however, that Chapter 297 allows carriers to use phase-out rate adjustments to develop rates for groups with between 26 and 50 eligible employees beginning December 1, 1996. Therefore, the Division would consider it acceptable for carriers to also extend coverage until November 30, 1996 for those groups with between 26 and 50 eligible employees that are up for renewal between August 15, 1996 and November 30, 1996, if any such extension allows the carrier to use the phase-out adjustment factors noted below.

1. Groups with between 26 and 50 eligible employees

Carriers issuing or renewing health benefit plans offered to groups with between 1 and 50 eligible employees must charge group base premium rates to ***each*** group during a rating period not exceeding two times the group base premium rate which could be charged to the group with the lowest group base premium rate for that rate basis type within that class of business. The group base premium rate represents that rate that would be charged by a carrier at the beginning of the rating period if the premiums were based solely upon the age, industry, group size, participation rate, rate basis type of the members of the group and surcharges or rate adjustments associated with participation in the Massachusetts Small Employer Health Reinsurance Program. In addition to the above, carriers may adjust rates outside the 2-to-1 rate banding for benefit level rate

adjustments, area rate adjustments, wellness program discounts, and usage of intermediaries.

A carrier who, effective August 15, 1996, charged a group base premium rate to any group from among 26-50 eligible employees that was more than two times the group base premium rate charged by that carrier to any group from among 26-50 eligible employees with the lowest group base premium rate for that rate basis type within that class of business, may establish a phase-out adjustment for all groups that were charged more than two times such group base premium rate beginning December 1, 1996. No carrier may vary its rates by more than such phase-out adjustment or the amount by which it varied its rates due to those factors on August 15, 1996, whichever is less.

If a carrier chooses to establish a phase-out rate adjustment, every group business of 26-50 eligible employees that was charged a group base premium rate that was more than two times the group base premium rate charged by that carrier to the group of 26-50 eligible employees with the lowest group base premium rate for the rate basis type within that class of business on August 15, 1996 shall be subject to a phase-out adjustment. However, no carrier shall apply a phase-out rate adjustment to any other group business from among 26-50 eligible employees.

Permissible Phase-out Adjustments

Between December 1, 1996 and November 30, 1997: The group base premium rate charged by a carrier to any eligible small business with 26-50 eligible employees shall not exceed four times the group base premium rate charged by that carrier to an eligible small business with 26-50 eligible employees that is charged the lowest group premium rate for that rate basis type within the class of business.

Between December 1, 1997 and November 30, 1998: The group base premium rate charged by a carrier to any eligible small business with 26-50 eligible employees shall not exceed three times the group base premium rate charged by that carrier to an eligible small business with 26-50 eligible employees that is charged the lowest group premium rate for that rate basis type within the class of business.

Between December 1, 1998 and November 30, 1999: The group base premium rate charged by a carrier to any eligible small business with 26-50 eligible employees shall not exceed two times the group base premium rate charged by that carrier to an eligible small business with 26-50 eligible employees that is charged the lowest group premium rate for that rate basis type within the class of business.

2. Groups with between 1 and 25 eligible employees

Between August 15, 1996 and November 30, 1999: The group base premium rates charged by a carrier to each group with 1-25 eligible employees during a rating period shall not exceed two times the group base premium rate that is charged by that carrier to

the eligible small business with 1-50 eligible employees, excluding those small group businesses with 26-50 eligible employees that are using the permissible phase-out adjustments, that is charged the lowest group base premium rate for that rate basis type within the class of business.

3. End of transition period

On or after December 1, 1999: The group base premium rate charged by a carrier to an eligible small business with 1-50 eligible employees shall not exceed one and one-half times the group base premium rate charged to an eligible small business with 1-50 employees with the lowest group base premium rate for that rate basis type within the class of business.

Questions regarding this Bulletin may be directed to Kevin P. Beagan, Director of the Health Unit at the State Rating Bureau at (617) 727-7347.