



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street, Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • <http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

GREGORY BIALECKI
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

BARBARA ANTHONY
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

JOSEPH G. MURPHY
COMMISSIONER OF INSURANCE

BULLETIN 2013-08

TO: Commercial Health Insurers, Blue Cross and Blue Shield of Massachusetts, Inc. and Health Maintenance Organizations

FROM: Joseph G. Murphy, Commissioner of Insurance

DATE: July 25, 2013

RE: Using Composite Rates for Newly Added Employees and/or Dependents

This Bulletin is issued by the Division of Insurance (“Division”) to commercial health insurers, Blue Cross and Blue Shield of Massachusetts, Inc. and Health Maintenance Organizations (collectively, “Carriers”) that issue or intend to issue health insurance plans to eligible individuals and eligible small employers that are subject to Massachusetts General Laws Chapter 176J. The rates charged for this market and the premiums charged to eligible small groups and eligible individuals are to be developed in compliance with the federal Affordable Care Act (“ACA”) and rating rules, as well as Massachusetts statutes and related regulations, bulletins and other guidance.

For coverage effective on and after January 1, 2014, Carriers may create composite rates that may be utilized when establishing premiums to be charged for small employer groups. These composite rates may be charged for the whole contract year. Carriers will not be required to change these composite rates for termination of employees and/or dependents or for new employees and/or dependents during the contract year. For carriers that choose to utilize composite rates, the Division expects carriers to use the following methodology:

1. Upon renewal or effective date, carriers must calculate an employer group’s premium using the methodology as required in the federal regulations, Health Insurance Market Rules; Rate Review (45 CFR Parts 144, 147, 150, 154 and 156). Carriers must calculate rates for employee and dependent coverage on a per-member basis and then calculate the group premium by totaling the premiums attributable to each covered individual.
2. Once the total group premium is calculated, carriers may impute Single, Dual, Employee/Child/(ren), and Family policy rates (“composite rates”) using the same census used to calculate the total group premiums and the carrier specific rate basis type adjustments (rate ratios).
3. The total group premium in step 1 should equal the total group premium in step 2 at the time of the composite rate calculation.

4. The composite rates calculated in step 2 may be used as the premiums to be charged for small employers during the contract year.

If Carriers choose to create composite rates for employees and/or dependents added after the beginning of a contract period, those composite rates must be applied consistently within the small employer group.

If you have any questions about this Bulletin, please contact Kevin Beagan, Deputy Commissioner, Health Care Access Bureau, at 617-521-7323 or by e-mail at kevin.beagan@state.ma.us.