



Date: December 16, 2016
From: Samara Lorenz, Director, Oversight Group
Title: Insurance Standards Bulletin Series -- INFORMATION
Subject: Guidance Regarding Age Curves and State Reporting

I. Purpose

Contemporaneously with the posting of this guidance, the Centers for Medicare & Medicaid Services (CMS) is releasing the HHS Notice of Benefit and Payment Parameters for 2018 Final Rule (“2018 Payment Notice”). The final rule amends the provisions related to age rating for children for plan or policy years beginning on or after January 1, 2018. Those provisions apply to non-grandfathered health insurance coverage in the individual or small group market offered through or outside of an Exchange (also known as a Marketplace).¹ This guidance provides important information concerning Federal rating factors that apply to each age band, unless the State establishes its own age curve, and also provides guidance about the process of State reporting of rating requirements for plan years starting in 2018.

II. Default Federal Standard Age Curve

45 CFR 147.102(a)(1)(iii) provides that the premium rate charged by a health insurance issuer for non-grandfathered health insurance coverage in the individual or small group market may vary by age, except that such rate may not vary by more than 3:1 for adults. Section 147.102(d), as amended in the 2018 Payment Notice, defines the uniform age bands for rating purposes under section 2701 of the Public Health Service (PHS) Act as follows:

- Children: A single age band for individuals age 0 through 14; and
One-year age bands for individuals age 15 through 20.
- Adults: One-year age bands for individuals age 21 through 63.
- Older adults: A single age band for individuals age 64 and older.

Section 147.102(e), as amended in the 2018 Payment Notice, requires that, for age rating purposes under section 2701 of the PHS Act, health insurance issuers use a uniform age rating curve established by the State for the individual market, small group market, or both markets specifying the relative distribution of rates across all age bands. If a State does not establish a uniform age rating curve or provide information on such age curve in accordance with §147.103,

¹ This information also applies to student health insurance plans that are not community rated.

a default uniform age rating curve specified in guidance by the Secretary to reflect market patterns in the individual and small group markets will apply in that State that takes into account the rating variation permitted for age under State law.

The Federal default standard age curve for children that was published in the proposed 2018 Payment Notice,² along with the adult age curve published in the Health Insurance Market Rules; Rate Review Proposed Rule³ is effective for plan or policy years beginning in 2018 in any State not specifying its own age curve.

The complete Federal default standard age curve is attached as Appendix I. The Federal default standard age curve will be updated as needed to reflect market patterns in the individual and small group markets, but no more frequently than annually.

III. Reporting of State Rating Requirements

Section 147.103 requires that States submit to CMS certain State-specific rating information. This includes information about the following, as applicable:

- The use of a narrower age rating ratio than 3:1 for adults age 21 and older.
- The use of a narrower tobacco rating ratio than 1.5:1 for individuals who legally use tobacco.
- State-established or proposed geographic rating areas.
- State-established age rating curves.
- In States that do not permit rating based on age or tobacco use, the use of uniform family tiers and corresponding multipliers.
- Whether premiums in the small group market must be based on average enrollee premium amounts (composite premiums).

Section 156.80(c) also requires that States submit to CMS, in accordance with the procedures described in §147.103, information on whether the individual and small group markets in the State are merged into a single risk pool under section 1312(c) of the Affordable Care Act and 45 CFR 156.80.

If a State updates a standard or requirement described above for any plan or policy year beginning after the 2017 calendar year (including establishing or updating a State-specific age curve⁴), information must be submitted to CMS by no later than February 1 of the calendar year prior to which the standard applies. Attached as Appendix II is a State reporting form that can be used by States to submit updated information regarding any of the State reporting items listed above. This form must be submitted by the applicable State regulatory authority and signed by an authorized official of the agency. The form should be submitted electronically to CMS at marketreform@cms.hhs.gov.

² 81 FR 61456 at 61462 (September 6, 2016).

³ 77 FR 70584 at 70595 (November 26, 2012).

⁴ We note that nothing prevents a State from establishing or continuing to use an existing State-specific age curve that utilizes a single age factor for individuals age 0 through 20.

IV. Where to get more information

If you have any questions about this Bulletin, please contact CMS at marketreform@cms.hhs.gov.

Appendix I - Federal default standard age curve

AGE	PREMIUM RATIO	AGE	PREMIUM RATIO	AGE	PREMIUM RATIO
0-14	0.765	31	1.159	48	1.635
15	0.833	32	1.183	49	1.706
16	0.859	33	1.198	50	1.786
17	0.885	34	1.214	51	1.865
18	0.913	35	1.222	52	1.952
19	0.941	36	1.230	53	2.040
20	0.970	37	1.238	54	2.135
21	1.000	38	1.246	55	2.230
22	1.000	39	1.262	56	2.333
23	1.000	40	1.278	57	2.437
24	1.000	41	1.302	58	2.548
25	1.004	42	1.325	59	2.603
26	1.024	43	1.357	60	2.714
27	1.048	44	1.397	61	2.810
28	1.087	45	1.444	62	2.873
29	1.119	46	1.500	63	2.952
30	1.135	47	1.563	64 and Older	3.000

State Rating Requirements Disclosure Form

PRA Disclosure Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is **0938-1258**.

Instructions:

Complete this disclosure form to provide rating requirements specific to your State and/or to request approval for geographical rating areas. This form must be submitted by the State Department of Insurance or other applicable regulatory agency and signed by an authorized official. You must complete all sections of this form and submit it no later than February 1 of the calendar year prior to which the standard applies. Please provide the names and contact information for at least two people who are knowledgeable about the contents of this form and may serve as contacts for CMS.

Submit the completed form and supporting documents electronically to: marketreform@cms.hhs.gov.

Submit any questions to: marketreform@cms.hhs.gov.

PART A

1. State: _____

2. Date of Disclosure: _____

3. Primary Contact Information

Name: _____

Designation: _____

Address: _____

Phone: _____

E-mail: _____

4. Secondary Contact Information

Name: _____

Designation: _____

Address: _____

Phone: _____

E-mail: _____

5. Please indicate whether the state is seeking CMS approval for a number of rating areas in the individual and/or small group market that is greater than the number described in 45 CFR §147.102(b)(3)(ii):

Yes

No

6. Official authorized to sign this disclosure:

Name and Designation: _____

Signature: _____

PART B

I. Age Rating Ratio (45 CFR §147.103(a)(1))

1. Within the individual market, are health insurance issuers in your state required to use an age rating ratio narrower than 3:1?

The state has no specific requirements in the individual market and the state uses a 3:1 age rating ratio.

Yes, the ratio is narrower – details are provided below.

2. Enter the state's individual age rating ratio (if narrower than 3:1):_____

3. Within the small group market, are health insurance issuers in your state required to use an age rating ratio narrower than 3:1?

The state has no specific requirements in the small group market and the state uses a 3:1 age rating ratio.

Yes, the ratio is narrower – details are provided below.

4. Enter the state's small group age rating ratio (if narrower than 3:1):_____

5. Provide details as appropriate, specifying market.

6. List supporting documents attached, if any.

II. Age Rating Curve (45 CFR §147.103(a)(6))

1. Within the individual market, are all health insurance issuers in your state required to use a uniform age rating curve other than the federal default age curve?

Yes

No

2. If yes, provide the age rating curve for the individual market.

3. Within the small group market, are all health insurance issuers in your state required to use a uniform age rating curve other than the federal default age curve?

Yes

No

4. If yes, provide the age rating curve for the small group market.

5. List supporting documents attached, if any.

III. Tobacco Use Rating Ratio (45 CFR §147.103(a)(2))

1. Within the individual market, are health insurance issuers in your state required to use a tobacco use rating ratio narrower than 1.5:1?

The state has no specific requirements in the individual market and the state uses a 1.5:1 rating ratio.

Yes, the ratio is narrower – details are provided below.

2. Enter the state's individual tobacco use rating ratio (if narrower than from 1.5:1):

3. Within the small group market, are health insurance issuers in your state required to use a tobacco use rating ratio narrower than 1.5:1?

The state has no specific requirements in the small group market and the state uses a 1.5:1 rating ratio.

Yes, the ratio is narrower – details are provided below.

4. Enter the state's small group tobacco use rating ratio (if narrower than 1.5:1): _____

5. Provide details as appropriate, specifying market.

6. List supporting documents attached, if any.

IV. Single Risk Pool (45 CFR §156.80(c))

1. Are health insurance issuers in your state required to merge the individual and small group insurance markets into a single risk pool for purposes of section 1312(c) of the Affordable Care Act?

Yes, details are provided below.

No, the markets are always separate and distinct.

No, however, individual and small group market experience is combined to establish a market-adjusted index rate but the markets are separate for applying plan adjustment factors.

2. Provide details as appropriate.

3. List supporting documents attached, if any.

V. Small Group Market Premiums (45 CFR §147.103(a)(5))

1. Are health insurance issuers in the small group market in your state required to offer to a group health plan premiums that are based on average enrollee premium amounts (composite premiums)?

Yes

No

2. Provide details as appropriate.

3. List supporting documents attached, if any.

VI. Geographical Rating Areas (45 CFR §147.103(a)(3))

1. Within the individual market, are health insurance issuers in your state required to use state-defined geographical rating areas?

Yes, details are provided in 2, 3, 4 and 5 below.

No, the state will use the default rating areas in the individual market.

2. Enter the number of rating areas (if applicable): _____

3. Basis for rating areas (if applicable)

Rating areas based on counties

Rating areas based on three-digit zip codes

Rating areas based on metropolitan statistical areas (MSAs) and non-MSAs

4. Date rating areas were established by law, rule, regulation, or other executive action (if applicable): _____

5. Is the state seeking CMS approval for a number of rating areas in the individual market that is greater than the number described in 45 CFR §147.102(b)(3)(ii)?

Yes

No

If yes, provide details in 11 and 12 below.

6. Within the small group market, are health insurance issuers in your state required to use state-defined geographical rating areas?

Yes, details are provided in 7, 8, 9 and 10 below.

No, the state will use the default rating areas in the small group market.

7. Enter the number of rating areas (if applicable): _____

8. Basis for rating areas (if applicable)

Rating areas based on counties

Rating areas based on three-digit zip codes

Rating areas based on metropolitan statistical areas (MSAs) and non-MSAs

9. Date rating areas were established by law, rule, regulation, or other executive action (if applicable): _____

10. Is the state seeking CMS approval for a number of rating areas in the small group market that is greater than the number described in 45 CFR §147.102(b)(3)(ii)?

Yes

No

If yes, provide details in 11 and 12 below.

11. Provide detailed description of the proposed rating areas, specifying market.

12. List supporting documents attached, if any.

VII. Family Tier Structure (45 CFR §147.103(a)(4))

(For states that do not permit any rating variation based on age or tobacco)

- 1. Within the individual market, are health insurance issuers in your state required to determine premiums for family coverage by using uniform family tiers and the corresponding multipliers established by the state?**

Yes

No

- 2. If yes, provide details regarding family tiers and corresponding multipliers for the individual market.**

- 3. Within the small group market, are health insurance issuers in your state required to determine premiums for family coverage by using uniform family tiers and the corresponding multipliers established by the state?**

Yes

No

- 4. If yes, provide details regarding family tiers and corresponding multipliers for the small group market.**

- 5. List supporting documents attached, if any.**