

# Frequently Asked Questions

## Member Level Child Age Rating Band Changes

Effective January 1, 2018

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### Q: What is Member Level Rating (MLR)?

**A:** Since January 1, 2014, the Affordable Care Act requires that for nongrandfathered individual and small group plans, whether offered on or off the Exchange, each individual's rate depends upon their age and location. Each member gets an assigned rate and these are then added together to determine the premiums charged to the subscriber and any dependents.

### Q: What is used to assign member rates per MLR?

**A:** The age of member at time of contract effective date

- Enrolled medical plan
- Employer rating area

**Special Rule:** Premium rates apply to the 3 eldest children under 21 in a family. The fourth or more child under 21 in a family pays no additional premium.

### Q: How is age used?

**A:** Based on a member's age, the appropriate age band is associated to a rate. All carriers and plans use a standard age curve with a set of age factors that are used to calculate rates for each age band.

### Q: What are the new regulations about age and rates?

**A:** The U.S. Department of Health and Human Services (HHS) Notice of Benefit and Payment Parameters for 2018 Final Rule revised the ACA's regulations concerning Fair Health Insurance Premiums. The Final Rule directs all health plan issuers of nongrandfathered small group and individual plan coverage (on and off the Exchanges) to revise the member level rating age bands used for individuals 0-20 years of age from using 1 age band to now create 7 age bands. The first age band cover ages 0-14, then single year age bands cover 15, 16, 17, 18, 19, and 20. This change will align with utilization of services while smoothing rate increases over time.

### Q: Does this impact all Kaiser Permanente regions?

**A:** No. Each state may establish a uniform age rating curve for the small group or individual market, or both markets, for rating purposes. Kaiser Permanente will implement this change for the Kaiser Permanente Small Business and Individual and Family Plans (KPIF) among all Kaiser Permanente regions (with the exception of Oregon and D.C., as they have chosen not to implement this change, and will be using state-specific age curves).

**Q: Why are we making this change?**

**A:** To comply with the Final Rule in the HHS Notice of Benefit and Payment Parameters for 2018 (81 Fed. Reg. 94058, 94173) (Dec. 22, 2016) by revising the ACA’s regulations concerning Fair Health Insurance Premiums (45 CFR §147.102). Visit the HHS website for detailed requirements of the Final Rule.

**Q: What is the benefit for making this change?**

**A:** The new federal rating structure recognizes that child utilization patterns vary in different ages. The rating change is beneficial to families as it spreads the cost differential over several age bands, thus making the rate increase to the 21-year age band less severe and more balanced. The rate will increase beginning with age 15 with additional increases as children age.

**Q: When will this change be implemented?**

**A:** On or after January 1, 2018, member level rate changes will take effect upon the effective date for new business and upon plan renewal for existing nongrandfathered small groups and individuals.

**Q: Will the rules around the number of child maximums change for ACA-metal plans?**

**A:** No, there is no change in these rules for family rating. If a family has more than 3 children under age 21, the 3 oldest are rated per their age band while the premium for each additional child after the third will continue to be \$0.

**Q: Does this change apply to grandfathered plans?**

**A:** No. Grandfathered plan age bands remain unaffected.

**Q: How does this impact rates?**

**A:** Every year members get one year older and in most cases move to a new age band. Even if there were no plan rate changes from last year, most people would still get an increase in rates due to the move in age bands. The introduction of the new age bands changes how rates are calculated for members under 21. By 2019, having more age bands will allow a more gradual increase as experienced today when turning age 21. 2018 is a transition year where all members age 0 to 20 will experience significant increases. See illustration.

2017		2018		2019
Age	Rate Change due to age	Age	Rate Change due to age	Rate Change due to age
0-20	0.0%	0-14	20.5%	0.0%
		15	31.2%	8.9%
		16	35.3%	3.1%
		17	39.4%	3.0%
		18	43.8%	3.2%
		19	48.2%	3.1%
		20	52.8%	3.1%
21	57.5%	21	57.5%	3.1%

The federally designed 2018 rate table provides for rate increases for all children by a greater percentage than for other plan members. The reason for this change is that it better reflects the pace at which the cost of care increases as children age, and become adults. It is also important to note that we (and all carriers) set child rates relative to adult rates, not independently. So, as we apply these increases, it allows us to apply slightly lower increases to older members. There are a lot more members 21 and over than there are children – so the overall effect is light. Our “average increase” has not changed. It is just that the premiums are redistributed, to better reflect the costs of caring for children.

**Q: Are small businesses required to offer dependent coverage?**

**A:** Small businesses with 50 or more full-time or full-time-equivalent employees are mandated to offer dependent coverage under a provision of the Affordable Care Act's Employer Shared Responsibility requirement, as it pertains to all applicable large employers (ALE). No small business, regardless of size, must contribute to dependent coverage.

**Q: How will small business customers be notified?**

**A:** Current customers will be notified of their new rates at renewal time. New customers purchasing plans effective on or after January 1, 2018, will be quoted based on this regulatory requirement.

**Q: How will brokers be notified?**

**A:** For Small Business brokers, this change will be reflected in the new business quoting engines, printed collateral, rate sheets, renewal packages, Broker Briefing, and **account.kp.org**.

**Q: How will Individual and Family members be notified?**

**A:** For Individual and Family plan members, they will receive information regarding 2018 rates in their renewal packages.