Adjusted Community Rating FAQs

Beginning for plan years (in the individual market, policy years) on or after Jan. 1, 2014, the Affordable Care Act (ACA) will require adjusted community rating for non-grandfathered policies in the individual and small group insurance markets. Most large fully insured and self-funded employers are exempt from this requirement.

Under the ACA's adjusted community rating (ACR) provisions, the use of actual or expected health status or claims experience to set group premiums is prohibited. Health insurance issuers may vary the premium rate charged to a specific non-grandfathered individual or small group from the rate established for that particular plan only on the following factors: family size (individual or family), geography (rating area), age (within a ratio of 3:1 for adults) and tobacco use (within a ratio of 1.5:1).

Below are some of the most Frequently Asked Questions (FAQs) regarding the ACR provisions of the ACA.

Terms and Definitions

What is adjusted community rating?

Adjusted (or modified) community rating laws will not allow the use of actual or expected health status or claims experience to set group premiums. Other factors such as age, geographic area and tobacco use may be used to vary premiums, within certain limits.

How does the final rule define "tobacco use"?

The final rule defines "tobacco use" as use of any form of a tobacco product on average four or more times per week within no longer than the past six months, but excluding religious and ceremonial uses.

What is guaranteed issue?

This means that with very limited exceptions, an issuer offering coverage in a particular state must accept and insure all fully insured individuals (for the individual market) and groups (for the small and large group markets) on any of the policies that are available in that state.

How will group size for purposes of federal adjusted community rating be determined?

The Department of Health and Human Services (HHS) is expected to release future guidance on determining group size for purposes of federal adjusted community rating (ACR). However, current HHS guidance seems to indicate that state definitions of "small employer" should be used for 2014 and probably 2015 with limited exceptions for most reform purposes. This will generally mean that small employer will be defined as up to "50" eligible employees, however certain states have adopted one of the existing federal counting methodologies: average total number of employees (ATNE) or full-time equivalents (FTE). State definitions may change at any time and additional federal guidance could be issued at any time.

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Effective Date

When will adjusted community rating begin?

Adjusted community rating will be effective beginning with plan years (in the individual market, policy years) on or after Jan. 1, 2014.

Rating Requirements

Beginning in 2014, will rating requirements change?

Under the ACA, premium rates may vary for non-grandfathered individual or small group policies only with respect to:

- Individual or family coverage
- Geographic area
- Age (limited to a 3-to-1 factor)
- Tobacco use (limited to a 1.5-to-1 factor)

A state may further restrict use of rating factors, as long as the state law does not "prevent the application" of the federal law. For example, a state may choose not to allow rating based on tobacco use.

Applicability

Does adjusted community rating apply to all business group sizes?

The rating requirements apply to the non-grandfathered individual and small group insurance markets – plans in the large group fully insured and self-funded markets are exempt from this requirement at this time.

Do minimum participation/contribution requirements apply to the small group market?

A small group cannot be denied coverage because of its failure to meet minimum participation/contribution requirements; however, a group that fails to meet those standards can be restricted to only obtaining coverage during a defined time period (November 15 through December 15) and coverage can be terminated at renewal if the group continues not to meet the standards.

Can small group market issuers limit their offering of coverage to an annual open enrollment period?

Generally, no, small groups must be able to obtain coverage at any time throughout the year; however, issuers may limit their offering of coverage to an annual open enrollment period (November 15 through December 15) for those employers in the small group market which fail to meet the issuer's standard minimum participation and contribution requirements.

Do single risk pool requirements including guaranteed availability and renewability requirements apply to student health insurance coverage?

The final rule exempts all student health insurance coverage from the single risk pool requirements (including guaranteed availability and renewability requirements). Sub-regulatory guidance issued at the same time also clarifies that student health insurance coverage is not subject to federal rate review requirements at this time.

For more information

Consult your UnitedHealthcare representative if you have questions, or visit the United for Reform Resource Center at **uhc.com/reform** for more information.