Adjusted Community Rating | Snapshot

Fair Health Insurance Premiums – Rating Rules

The Affordable Care Act (ACA) contains comprehensive reforms that will dramatically change all rating practices in the individual and small group markets.

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 based 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).

- **Family rating** – The final rule clarifies that the cap on rating no more than the three oldest individuals under the age of 21 only applies to “covered children.” Employees and spouses under the age of 21 will be rated separately.

- **Small group rating** – Issuers will use the per-member rating methodology in the small group market. States may require issuers to give small groups an average premium amount for each employee in the group, provided that the total group premium equals the premium that would be obtained through the per-member rating approach.

- **Geographic rating** – The final rule clarifies that states may establish different rating areas for the individual or small group markets, but rating areas must apply uniformly within each market and may not vary by product. In addition, the final rule allows much more flexibility for states in terms of what rating area configurations will be presumed adequate. If a state does not establish rating areas, the default will be one rating area for each metropolitan statistical area (MSA) in the state and one rating area for all other non-MSA portions of the state.

- **Age rating** – The maximum 3:1 ratio for age rating applies to adults age 21 and older. The final rule retains the single band for children age 0-20 and a single age band for individuals 64 and older. Age for rating purposes continues to be determined based on the date of policy issuance and renewal; however, individuals who obtain coverage other than at issuance or renewal may be rated as of the age that they are added.
  - No state exceptions to the uniform age bands are allowed under the final rule. States can still set their own age curve within these bands. States may also establish separate age curves for individual versus small group markets.

- **Tobacco rating** – The final rule defines “tobacco use” as use of tobacco an average of four or more times per week within no longer than the past six months, including all tobacco products but excluding religious and ceremonial uses of tobacco. Tobacco use will be based on when a tobacco product was last used. Issuers may vary rates for tobacco only based on individuals who may legally use tobacco under federal and state law (i.e., no tobacco rating for individuals under age 18). If an enrollee provides false or incorrect information about his or her tobacco use, an issuer may retroactively apply the appropriate tobacco use rating factor to the enrollee’s premium, but may not rescind the coverage. The final rule retains the rating for tobacco use within a ratio of 1.5:1. Issuers may vary tobacco rating by age, as long as the tobacco use factor does not exceed 1.5:1 for any age band. The small group market may apply the tobacco rating factor only in connection with a wellness program, allowing a tobacco user to avoid paying the full amount of the tobacco factor by participating in a tobacco cessation program.

Consult your UnitedHealthcare representative if you have questions about the Fair Health Insurance Premiums/rating rules. Or, visit the United for Reform Resource Center at uhc.com/reform and click the adjusted community rating provision.

For more information

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