



Community Rating of Individual and Small Employers

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Beginning in 2014, the premiums charged for individual health policies and employer-sponsored small group plans (less than 50 employees) will be based on the four criteria below. This is called “community rating”. Grandfathered plans are exempt.

Criteria #1: Family Size

- Premium may vary if the coverage is for an individual or a family.
- Non-traditional family coverage (opposite or same sex domestic partners, children raised by grandparents, etc.) may be offered if allowed under state law.

Criteria #2: Geographic

- Rating areas are to be based on counties, zip codes, metropolitan statistical areas (MSA's) meaning cities and their suburbs, or the entire state.
- Tennessee has asked for 8 rating areas across the state. The rating areas correspond to groups of rural counties plus major cities. (U.S. Dept. of Health and Human Services must approve this request.)

Criteria #3: Age

- Infants and children up to age 20 are combined in one age band for rating. Newborns under the age of 1 have much higher claims costs but to rate them in a separate age band was considered unfair. So children up to age 20 are all rated the same.
- Adults aged 21 - 63 are grouped within one-year age bands. Ratings may not vary by more than 3:1 between the age bands.
- Adults aged 64 and older are grouped within one age band.
- These age ratings will apply to the large group market beginning in 2017.

Criteria #4: Tobacco Use

- "Tobacco Use" is temporarily defined as "use of tobacco on average of four or more times per week within no longer than the past six months".
- The tobacco use rating cannot exceed 1.5:1 for any age band.
- The rating applies only to persons 18 or older (legal age for tobacco use).
- There is an exemption for Native Americans who use tobacco for religious and ceremonial purposes.
- Employees who participate in a wellness program for tobacco cessation can avoid paying the full amount of this rating factor.
- Coverage can't be rescinded if an enrollee falsely represents tobacco use, but the insurer may retroactively apply the appropriate tobacco use rating.

Guaranteed Availability

- For the individual market, inside and outside the Exchange, there will be a fixed open enrollment period based on the calendar year.
 - There are special enrollment periods which track the COBRA life events.



- For the small group market, inside and outside the Exchange, there will be a continuous open enrollment period and an annual open enrollment period (November 15 to December 15).
- A continuous open enrollment for small groups allows employers to buy coverage at any time. But to avoid adverse selection, there is also an annual open enrollment period.
 - For example, a small group that fails to satisfy minimum participation or contribution requirements can be required to apply only during the annual open enrollment period.
- Special enrollment periods:
 - 60 days for individual market
 - 30 days for small group market

Do you have questions about the information in this paper? Would you like to know more about this important topic?

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