

State of Idaho
DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

WILLIAM W. DEAL
Director

BULLETIN NO. 13-02

DATE: March 29, 2013
TO: Disability/Health Insurance Carriers in Small Group or Individual Markets
FROM: William Deal, Director
SUBJECT: Federally Regulated Rating Restrictions Specific to Non-grandfathered Plans in the State of Idaho

The final Health Insurance Market Rules was published in the Federal Register, volume 78, number 39, on Wednesday, February 27, 2013. The final rules implement provisions related to fair health insurance premiums, guaranteed availability, guaranteed renewability, single risk pools, and catastrophic plans. Code of Federal Regulation, title 45, section 147.103, as established in the final market reforms rules, allows states to request state-specific modifications to the federally specified provisions in the following select areas:

- 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.
- The actual state-established or proposed rating areas.
- State-established age rating curves.
- In states with community rating, the use of uniform family tiers and corresponding multipliers.
- A requirement that premiums be based on average enrollee amounts in the small group market.
- A decision to merge the small group and individual markets in a state into a single risk pool.

This bulletin serves as notification to carriers in the small group and individual health insurance markets that the Idaho Department of Insurance (DOI) has requested and received approval from CMS to define Idaho's geographic rating areas differently from the federally designated default. The above-mentioned restrictions, other than geographic rating areas, will apply within the Idaho health insurance markets without modification from the provisions of the final rules, beginning January 1, 2014.

Geographic Rating Areas

Currently, carriers are permitted to define their geographic rating areas according to the definition included in IDAPA 18.01.69 for the small group market or IDAPA 18.01.72 for the individual market. Both definitions limit the geographic rating areas to no more

than six designated areas, with no area being smaller than a county. As expressed in 45 CFR 147.102(b), geographic rating areas must be uniform for all carriers in a given market. The federally designated default consists of one rating area for each metropolitan statistical area (MSA) in the state and one rating area comprising all non-MSAs in the state, as defined by the Office of Management and Budget. Federal regulations allow states to submit alternative rating area definitions that are based on counties, three-digit zip codes, or MSAs.

CMS has accepted the DOI's proposal to establish geographic rating areas based on three-digit zip codes. This approach partitions Idaho into the maximum allowable rating areas of seven: 832xx, 833xx, 834xx, 835xx, 836xx, 837xx, and 838xx.

The DOI has concluded that IDAPA 18.01.69.004.02 and IDAPA 18.01.72.004.01, which limit the number of geographic rating areas to six, with no area being smaller than a county, are not preempted by federal regulation. Consequently, carriers must apply the same geographic rating factor to the 836xx and 837xx rating areas, reducing the distinct geographic rating factors to no more than six.

Age and Tobacco Rating Limits

All non-grandfathered health insurance plans in the small group and individual markets must be rated using the federally mandated rating ratios. The Idaho age rating ratio will be 3:1 for adults age 21 and older, as required by 45 CFR 147.102(a)(1)(iii). The age rating curve for Idaho will be the federal default, as specified in federal regulations and included here:

Age	Premium Ratio	Age	Premium Ratio	Age	Premium Ratio
0-20	0.635	35	1.222	50	1.786
21	1.000	36	1.230	51	1.865
22	1.000	37	1.238	52	1.952
23	1.000	38	1.246	53	2.040
24	1.000	39	1.262	54	2.135
25	1.004	40	1.278	55	2.230
26	1.024	41	1.302	56	2.333
27	1.048	42	1.325	57	2.437
28	1.087	43	1.357	58	2.548
29	1.119	44	1.397	59	2.603
30	1.135	45	1.444	60	2.714
31	1.159	46	1.500	61	2.810
32	1.183	47	1.563	62	2.873
33	1.198	48	1.635	63	2.952
34	1.214	49	1.706	64 and Older	3.000

Carriers are permitted to define and vary the factor for tobacco use by age, limited to a maximum rating ratio of 1.5:1 for individuals who legally use tobacco. The carrier's tobacco rating factors must be applied in compliance with 45 CFR 147.102(a)(1)(iv).

Other Rating Restrictions

The DOI will follow the default provisions included in the federal regulation regarding the remaining rating restrictions of family tiers, small group premiums based on average enrollee amounts, and merging of the small group and individual markets. Family tiers will not apply, since Idaho does not require community rating. Small group premiums will not be required to be based on average enrollee amounts, and the small group and individual markets will not be merged into a single risk pool at this time.